

Comprehensive Annual Financial Report
City of Portsmouth, Virginia School Board
A Component Unit of the City of Portsmouth, Virginia



For the Fiscal Year Ended June 30, 2008

COMPREHENSIVE ANNUAL FINANCIAL REPORT
City of Portsmouth, Virginia School Board
Component Unit of the City of Portsmouth, Virginia

For the Fiscal Year Ended June 30, 2008

Prepared by the Department of Finance

Meera Phaltankar, CPA
Director of Finance

**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
COMPONENT UNIT OF THE CITY OF PORTSMOUTH, VIRGINIA
June 30, 2008**

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**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
COMPONENT UNIT OF THE CITY OF PORTSMOUTH, VIRGINIA
June 30, 2008**

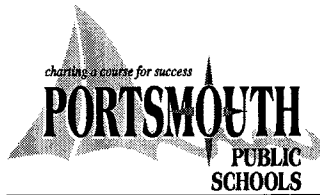
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**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
COMPONENT UNIT OF THE CITY OF PORTSMOUTH, VIRGINIA
June 30, 2008**

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Department of Finance

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November 26, 2008

The Honorable Members of the School Board
and the Citizens of the City of Portsmouth, Virginia:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the City of Portsmouth, Virginia School Board (PPS) for the fiscal year ended June 30, 2008. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the management of PPS. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Governmental Activities and various funds of the School Board. All disclosures necessary to enable the reader to gain an understanding of the School Board's financial activities have been included.

For financial reporting, PPS is a component unit of the City of Portsmouth, Virginia (the City), and, accordingly, the financial position and results of operations of PPS are also reflected in the financial statements included in the City's CAFR. An annual audit of the books of accounts, financial records, and transactions of all the departments of the school division has been performed by Cherry, Bekaert & Holland, L.L.P., Certified Public Accountants. The auditors' reports which include their unqualified opinion on the basic financial statements of the school division are included herein.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of Management Discussion and Analysis (MD&A). This Transmittal Letter is designed to complement MD&A and should be read in conjunction with it.

The School Board of the City of Portsmouth is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996. Information related to this single audit, including the Schedule of Expenditures of Federal Awards, finding and recommendations, if any, and auditors' reports, are included in the City of Portsmouth's Comprehensive Annual Financial report.

The Governmental Accounting Standards Board has issued Statement No. 45 in June 2004, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions". The requirements of the related statement are effective in 3 phases based on total annual revenues in the first fiscal year ending after June 15, 1999. PPS is in phase I – annual revenues of over \$100 million or more. PPS has implemented the standard for fiscal year 2008.

The Reporting Entity and Organization

Founded in 1752, the City of Portsmouth, Virginia is an urban core city situated at the center of Hampton Roads, the country's 33rd largest Metropolitan Statistical Area with over 1.5 million residents. The landlocked city encompasses 29.9 square miles of real property of which 54% is tax exempt due in large part to military installations.

In accordance with the requirements of the Governmental Accounting Standards (GASB), the financial reporting entity consists of primary government (the City of Portsmouth), and its component units, which are legally separate organizations. The School Board is considered as a component unit of the City and the

financial position and results of operation of the School Board are also presented in the City's Comprehensive Annual Financial Report. The School Board has no component units for financial reporting purposes. The School Board is fiscally dependent, i.e. it does not have taxing and borrowing authority. It derives most of its funding from the City and the Commonwealth of Virginia allocations.

The School Board's responsibility is the education of elementary and secondary students within the City. The nine-member School Board is elected by the Portsmouth citizens and serves a four-year term. The School Board is entrusted with the responsibility of hiring the school division's superintendent who is the executive and administrative head of the public school division. The City Council approves the School Board's operating budget, levies the necessary taxes to finance their portion of the operations, and approves the borrowing of money and issuance of bonds when necessary. The City Council is prohibited from exercising any control over specific expenditures within the operating budget of the School Board. However, City Council may exercise control in total by major categories (e.g. Instruction; Administration, Attendance and Health; Pupil Transportation; Technology; Operations and Maintenance) as prescribed by the Code of Virginia, as amended.

Economic Condition and Outlook

According to 2007 statistics, Portsmouth has a population of 101,377 of which 50.3% is African-American, 45.5% is white, and 4.2% other. PPS serves 14,287 students in 2 pre-k centers, 14 elementary schools (12 are Title I schools), 3 middle schools, 3 high schools, a special education center, an alternative school, and an adult learning center. Based on the 2007-08 Enrollment Percentage by School and Ethnicity, prepared by the PPS Office of Information Technology, 73% of our student population is African-American. School-wide, 15% of all students are identified as having special needs. Dropouts per 1,000 students prior to the 9th grade for Portsmouth were 13 compared to 5 state-wide (Portsmouth Comprehensive Prevention Plan 1999-2005). In the 2007-08 school year, there were a total of 3,972 suspensions school-wide.

Major Initiatives

PPS operates 24 schools with an enrollment count of 14,287. There are approximately 2,400 employees.

First College Program

The First College Program in Portsmouth is designed for qualified high school seniors who plan to attend a college or university after they graduate from high school. The program offers seniors an opportunity to earn 19 semester hours of college credit courses prior to graduation from high school. The courses offered in this program are part of the State Council of Higher Education for Virginia "Commonwealth College Course Collaborative," a collection of courses that public colleges and universities in the Commonwealth have agreed to accept as meeting part of the college's general education requirements. The enrollment in First College increased from 19 students in 2005-06 to 72 students in 2006-07 and 61 students were enrolled in 2007-08. Even with the decline last year, student participation in First College over the last 3 years has been greater than we envisioned. The projections for this year also look good.

STEM Pathways

Portsmouth Public Schools STEM Pathways Initiative is designed to enhance science and mathematics content through appropriate technology and engineering experience. PPS started with STARBASE Victory project for 4th – 6th grades. The uniqueness of STARBASE is SpaceBASE FOR 4th grade, EnviroBASE for 5th grade and AeroBASE for 6th grade. SpaceBASE Atlas is the newest program that focuses on developing foundations for science and mathematical processes that involve spatial (mapping and modeling) skills. With the use of current spatial technologies students will define their local environments and construct representative models. EnviroBASE Aquarius is a dynamic, innovative, and vibrant initiative in which students explore the local environment and atmosphere through lab experiences. Students report their results to the Global Learning and Observations to Benefit the Environment (GLOBE) website. GLOBE is a worldwide hands-on, primary and secondary school-based science and education program that brings together students, teachers and scientists through the GLOBE Schools Network. The Elizabeth River watershed is the primary focus. Fifth graders had a unique experience with oyster gardening. Oyster gardening AeroBASE Atlantis is an initiative with a unique partnership between public schools, community-minded businesses, and the United States Navy. Through captivating lessons of aerodynamics, students will unlock the mysteries of math and science, giving them the skills and confidence they need to excel in school and in life.

DISCOVERYBASE, at Churchland Middle School covers BioBASE for 7th grade and RoboBASE for 8th grade. BioBASE is an innovative biotechnology experience woven into crime scene investigation – DNA extraction, fingerprinting, bioremediation, Soil testing and GPS/GIS logging. RoboBASE engages robotic engineering program will begin in fiscal year 08-09.

Career and Technical Education (CTE)

CTE, a connection between school and work, prepares college bound students in technical areas that support further study. AC Thirteen, a new way of looking at high school began in spring of 2006. It is an amalgam of ideas stemming from the belief that high school graduation is not a goal. During academic year 2007-08 Early Childhood Exploration, Horticulture and Hotel/Motel Management classes were started. Early childhood classes interacted with John Tyler Elementary. Also, preschoolers have been brought to Wilson for the child care trainees to conduct a simulated day care facility by developing and carrying out lesson plans, preparing nutritious snacks, and giving one-on-one instruction. Horticulture students worked on landscaping beautification projects at most of the elementary schools. Hotel/Motel classes are held at the Renaissance Hotel. Sixteen of our students are currently employed by them. For the year ended June 2008, we had 86 students with industry certification and state licensure versus June 2007, we had 3 students.

Job Fair

The first annual Job Fair for PPS was held on March 1, 2008. Interested candidates were able to register on-line. 170 applicants did so from around the country: California, New York, Minnesota, Michigan, Georgia, Kentucky, Maryland, North Carolina, New Jersey, South Carolina and, of course, Virginia. We selected 100 applicants through our highly qualified (HQ) selection process and scheduled to interview. This was a huge undertaking that involved principals, assistant principals, directors, and staff members. This interview fair was planned and organized by the human resources staff.

98.5% Highly Qualified Teachers

The Instructional Personnel Verification Report (IPAL) is an annual report required by the State Department of Education that reflects the school division's data on teacher licensing. The information is reported on Virginia's School Report Card each year. It provides a snapshot of state performance targets for highly qualified teachers ensuring that all teachers who teach in a federal core academic subject are HQ. PPS's human resources staff works tirelessly to employ highly qualified teachers in each core subject in every classroom across the district. This HQ status relates directly to increased student achievement. The HQ results are as follows:

▪ 2004-2005	94.9%
▪ 2005-2006	93.1%
▪ 2006-2007	97.4%
▪ 2007-2008	98.5%

Implementation of Munis Human Resources/Payroll Module

PPS implemented MUNIS Human Resources/Payroll module on schedule and under budget. Go-Live is scheduled July 1, 2008. PPS also implemented GHG, third-party time keeping system. System-wide training on MUNIS and GHG was conducted.

New Fingerprinting System

PPS implemented new Touch Print Enhance Definition 3000 Live Scan Series fingerprinting system to conduct even more thorough background investigations. This series allows us to capture image quality at a higher level. The same series is utilized by the Virginia State Police and several other State Law enforcement agencies.

Partnership With Regent University

Regent University and PPS collaborated to offer Executive Educational Leadership Program for PPS future leaders. This 2-year program will enable teachers to obtain a master's degree in administration and supervision. Teachers were recommended by their principals to participate in the program. The need for strong administrators is indicative of the fact that over half of our current principal and assistant principal population is close to or over 30 years in education. Within the next 5 years, PPS could experience an administrative shortage. Currently, there are approximately 20 teachers enrolled in the program.

Financial Information

Management is responsible for establishing and maintaining an internal control structure. It is designed to provide reasonable, but not absolute, assurance. Reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits require estimates and judgments by management. A component of internal control structure should increase the probability that material errors or fraud that occur are detected in a timely manner by employees in the normal course of performing their duties.

PPS management maintains budgetary controls to ensure compliance with the annual appropriated budget adopted by the School Board and City Council. The school division maintains an encumbrance accounting system as a method of accomplishing budgetary control. Outstanding encumbrances or open purchase orders at the end of the fiscal year are carried forward to the next fiscal year. By the end of second fiscal year, outstanding encumbrances or open purchase orders are liquidated and funds are transferred to the City. The School Board has adopted budgets for the following funds – General, Text Books, Grants, Food Services, Capital Projects, Printshop, and Risk Management. The School Board and City Council adopts School Operating Budget by March and April, respectively, for the upcoming fiscal year.

PPS pays the City a yearly fee to manage the School Board's risk management program. The School Board is "fully insured" for auto liability and for general liability through the Virginia School Board Association. For Workers Compensation, the School Board carries an excess policy, with a self-insured retention of \$400,000. Workers Compensation claims are handled by PMA, a third-party claims administrator.

The Treasurer of the City is the custodian of pooled cash and temporary investments, except funds under Escrow agreement for the Energy Retrofit capital project. Our Financial Institution keeps minimum required balance in general depository account and invests the excess in Institutional Money Market Fund. The investments are in compliance with industry-standard requirements for money market funds for quality, maturity and diversification on investments. Interest earned is allocated among all the funds based on General Ledger cash balances at the end of the month.

Awards

Certificate of Excellence

The Association of School Business Officials of the United States and Canada (ASBO) awarded a Certificate of Excellence in Financial Reporting for Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007. The Certificate of Excellence is valid for a period of one year only.

The Financial Reporting Award was designed by ASBO International to enable school business officials to achieve a high standard of financial reporting. The award is only conferred to school systems that have met or exceeded the standards of the program. Since its inception in 1972, the program has gained the distinction of being a prestigious national award recognized by accounting professionals, underwriters, securities analysts, bond rating agencies, state and federal agencies, and education, teacher, and citizen groups.

The Association of School Business Officials International, founded in 1910, is a professional association, which provides programs and services to promote the highest standards of school business management practices, professional growth, and the effective use of educational resources.

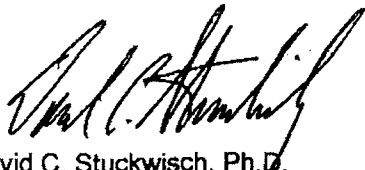
Certificate of Achievement

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting for Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007. This was the first year that PPS has received this prestigious award. The certificate of achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management. The Certificate of Achievement is valid for a period of one year only.

Acknowledgements

We would like to express our sincere gratitude to the personnel in the Department of Finance who participated in the preparation of this report and to our independent auditors, Cherry, Bekaert & Holland, L.L.P. Appreciation is also extended to the School Board and the administration, whose continuing support is vital to the financial health of the school system.

Respectfully submitted,



David C. Stuckwisch, Ph.D.
Superintendent



Dan Pendarvis
Assistant Superintendent for Budget and Planning



Meera Phaltankar, CPA
Director of Finance

**CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
COMPONENT UNIT OF THE CITY OF PORTSMOUTH, VIRGINIA
June 30, 2008**

Members of the School Board and School Board Officials

School Board

Mr. James E. Bridgeford Chairman
Mrs. Linda A. Ridenour Vice Chairman
Ms. Sheri H. Bailey
Dr. Elizabeth Daniels
Mr. James M. Hewitt, IV
Mrs. Elizabeth N. "Betty" Hudgins
Mr. B. Keith Nance, Sr.
Mrs. Jean H. Shackelford
Dr. Mark M. Whitaker

Officials

Dr. David C. Stuckwisch Superintendent
Dr. Patricia H. Fisher Assistant Superintendent for Curriculum and Instruction
Mr. Dan Pendarvis Assistant Superintendent for Budget and Planning
Mrs. Meera Phaltankar, CPA Director of Finance
Mrs. Kathy L. Chambliss Clerk of the School Board
Mrs. Laura Chandler Deputy Clerk of the School Board
Mr. James L. Williams City Treasurer

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS INTERNATIONAL



This Certificate of Excellence in Financial Reporting

is presented to

City of Portsmouth, Virginia School Board



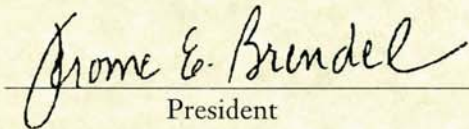
For its Comprehensive Annual Financial Report (CAFR)

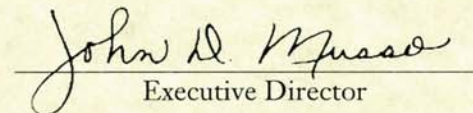
For the Fiscal Year Ended June 30, 2007

upon recommendation of the Association's Panel of Review

which has judged that the Report substantially conforms

to principles and standards of ASBO's Certificate of Excellence Program


President


Executive Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Portsmouth,
Virginia School Board

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



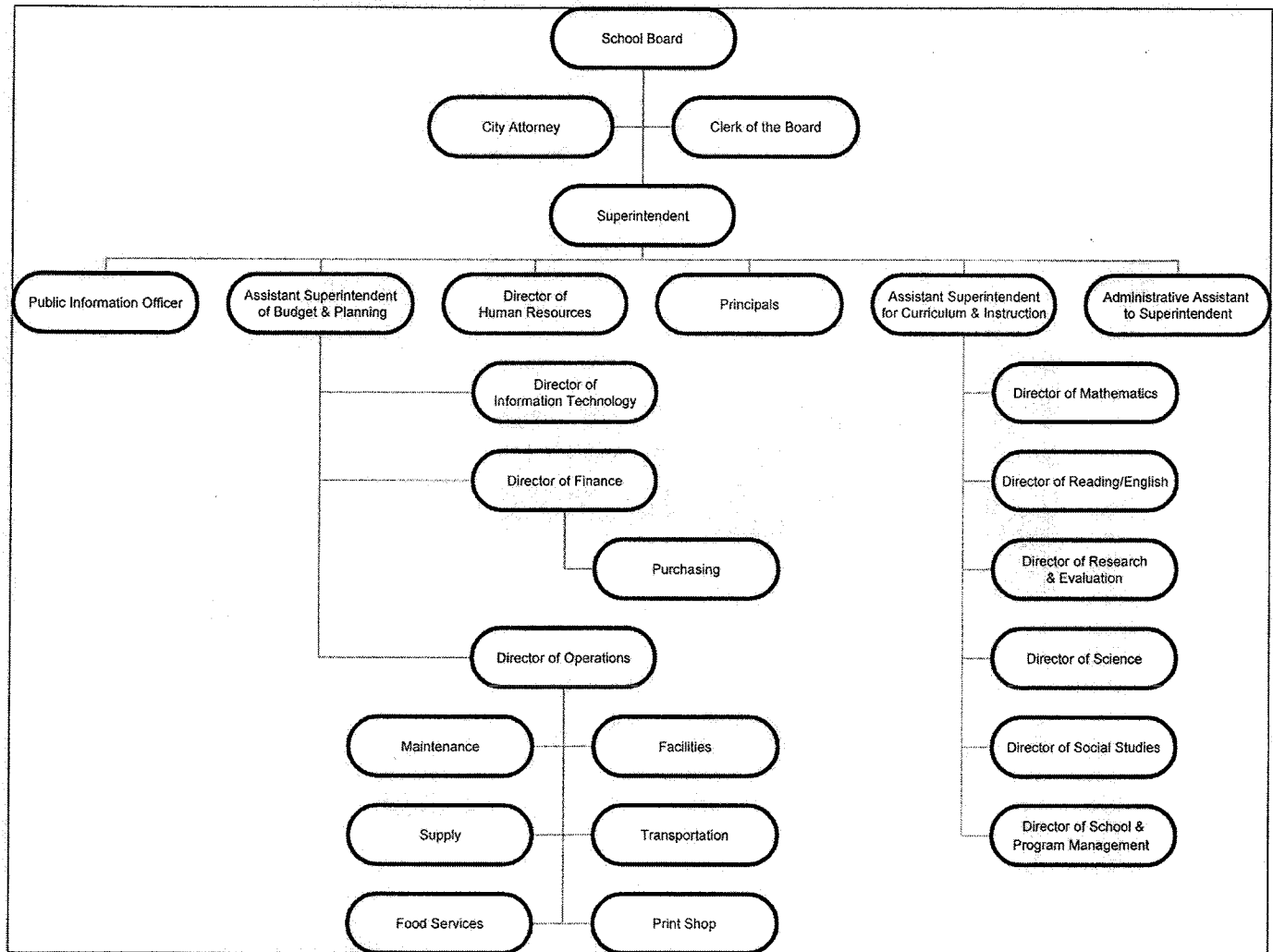
Charles S. Cox

President

Jeffrey R. Emer

Executive Director

**City of Portsmouth, Virginia School Board
Component Unit of the City of Portsmouth, Virginia
Organizational Chart (June 30, 2008)**



FINANCIAL SECTION



Independent Auditors' Report

Members of the School Board
City of Portsmouth, Virginia

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Portsmouth, Virginia School Board (School Board), a component unit of the City of Portsmouth, Virginia, as of and for the year ended June 30, 2008 which collectively comprise the School Board's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the School Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Portsmouth, Virginia School Board as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2008, on our consideration of the City of Portsmouth, Virginia School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 3 through 11, the budgetary comparison schedules of the general fund and major annually budgeted special revenue funds, and the other required supplementary information on pages 38 through 42 listed in the table of contents are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City of Portsmouth, Virginia School Board's basic financial statements. The introductory section, other supplementary information and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Cherry, Bekant & Holland, L.L.P.

Virginia Beach, Virginia
November 26, 2008

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

This section of the City of Portsmouth, Virginia School Board's (the School Board) annual financial report presents our discussion and analysis of the School Board's financial performance during the fiscal year ended June 30, 2008. Please read it in conjunction with the financial statements, which follow this section.

Financial Highlights for Fiscal Year 2008

Financial status of the School Board, as reflected in total net assets, increased 20% to \$70.3 million. Of that \$4.2 million of the net assets are restricted to ongoing capital projects that consist primarily of various school renovation projects.

On the statement of net assets – governmental activities, total liabilities at June 30, 2008 totaled \$30.8 million. The bulk of the current liabilities of \$17.2 million are related to accrued payroll and accounts payable, while the majority of the non-current liabilities relate to compensated absences and capital leases.

On the statement of revenues, expenditures, and changes in fund balances – governmental funds, the food services fund and the grants fund experienced a decline in fund balance. The decline in the food services fund was relatively small. The food services balance decline was due to increasing costs for materials and supplies combined with uncollectible charges for service. The general fund had \$146.9 million in revenues and \$138.2 million in expenditures. The general fund's fund balance increased from \$4.5 million to \$5.8 million. This increase was due to an increase in intergovernmental revenue.

Total intergovernmental revenue was \$167.3 million. Of that, \$50 million was from the City of Portsmouth (the City), \$102.3 million was state aid from the Commonwealth of Virginia, and \$15 million was from the federal government. Interest and other charges were \$2.3 million including \$0.8 million in interest, and \$1.3 in charges for services.

Operational Highlights for Fiscal Year 2008

- Teachers and other personnel paid on the teacher salary schedule received an average 4.8% increase in pay. All other personnel received 4.8% increase, effective July 1, 2007.
- Capital improvements completed during the year were – renovations and upgrades at various schools as part of the Energy Retrofit project and the Lakeview Elementary Parking Lot.
- New school construction continued at Park View Elementary during the year. This project is to demolish the existing building and mobiles and build a new 80,000 square feet school. Renovations to Victory Elementary also continued during the year.
- The school district aggressively seeks competitive grant funds to further its mission. During fiscal year 2007-08, the School Board was awarded the I Can Learn – Mathematics Support grant from the USDOE. The Laura Bush Foundation Grant for America's Libraries was also awarded.

Overview of the Financial Statements

This Comprehensive Annual Financial Report has six component sections: *management's discussion and analysis* (this section), *the basic financial statements*, *other supplementary information*, an optional section that presents *combining statements* for internal service funds, a *statistical section*, and a *compliance section*.

There are two types of financial statement presentations, one for the School Board as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the School Board's overall financial status on an economic resource focus. The remaining statements are fund financial statements that focus on a current financial resource basis and individual parts of the School Board's operations in more detail than the government-wide financial statements.

Also included in the financial statements are *notes* that explain some of the information in the financial statements and provide more detailed data. Following the statements is a section of *required supplementary information* that further explains and supports the information in the financial statements.

The following chart summarizes the major features of the School Board's financial statements and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Major Features of the School Board's Government-Wide and Fund Financial Statements:

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire school system	The activities of the school system that are not proprietary or fiduciary, such as General, Text Books, Grants, Food Services, and Capital Projects Funds	Activities the school system operates similar to private businesses, such as the Print Shop Fund	Instances in which the school system is the trustee or agent for resources outside of the government, such as the OPEB trust and Student Activities Fund
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and change in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses, and change in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets (fiduciary fund only)
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Modified accrual basis of accounting
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	The school system's fund does not currently contain capital assets nor liabilities
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All receipts and disbursements during year, when cash is received or paid, rather than when an obligation is incurred

Government-Wide Statements

The government-wide statements report information about the School Board as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the School Board's assets and liabilities, while the statement of activities reports the School Board's revenues and expenses, regardless of when cash is received or paid. Both of the statements are prepared using the full accrual basis of accounting, which is similar to private-sector accounting.

The two government-wide statements report the School Board's net assets and how they have changed. Net assets, the difference between the School Board's assets and liabilities, is one way to measure the School Board's financial health or position.

- Over time, increases or decreases in the School Board's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the School Board you need to consider additional non-financial factors such as changes in the student population and the condition of school properties.

The government-wide financial statements of the School Board include only governmental activities, as the School Board does not have business-type activities. Most of the School Board's basic services are included here, such as administration, instruction, attendance and health, pupil transportation, information technology, and operations and maintenance. State aid, Federal aid, and State and Federal grants finance most of these activities.

Fund Financial Statements

The fund statements focus on the major funds of the School Board, rather than the entity as a whole. These financial statements are presented on a modified accrual basis and are accounting devices that the School Board uses to keep track of specific sources of funding and spending for particular purposes.

The School Board has three types of funds:

- *Governmental funds* – Most of the School Board's basic activities are included in governmental funds, which focus on: (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps a reader determine whether there are more or fewer financial resources that can be spent in the near-term future to finance the School Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, this additional information is provided in reconciliations after the governmental funds statements to explain the relationship (or differences) between them.
- *Proprietary funds* – Services for which the School Board charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The School Board uses two *internal service funds*. Internal service funds are used for goods or services provided by a central service department or agency to other departments, agencies or to other unrelated governmental units, usually on a cost reimbursement basis. The Print Shop Fund supplies printing and graphics services to the City of Portsmouth, outside entities and functional units in the School Board on a cost reimbursement basis. The Risk Management and Insurance Fund accounts for the payment of claims and legal fees, if necessary, on public liability claims arising from the operations of the School Board.

- *Fiduciary funds* – The School Board maintains an agency fund which is custodial in nature (assets equal liabilities) and does not involve measurements of the results of operations. The School Board's agency fund is the Student Activities Fund, which accounts for the student activity monies maintained on behalf of the students by the school principals at each school. The OPEB trust fund is used to account for assets held by the School Board as trustee for members and beneficiaries of other post employment benefit plans.

Financial Analysis of the School Board as a Whole

Following is a discussion of the major financial highlights of the School Board financial statements:

Net Assets

The School Board's net assets at the end of fiscal year 2008 were \$70.3 million, which were composed of \$15.8 million in unrestricted net assets, \$4.6 million in restricted for other purposes, and \$49.9 million invested in capital assets, net of related debt. Capital assets of the School Board which are secured by debt are reflected in the City of Portsmouth's financial statements. All capital assets that are School Board assets which are not secured by debt are reported in the School Board's financial statements. Please refer to the Financial Highlights for Fiscal Year 2008 section for the related construction projects.

Net Assets

June 30

(In thousands of dollars)

	2008	2007
Current and other assets	\$ 43,643	\$ 34,255
Capital assets	57,512	53,015
Total assets	<u>101,155</u>	<u>87,270</u>
Long-term debt outstanding	14,361	14,771
Other liabilities	16,521	13,800
Total liabilities	<u>30,882</u>	<u>28,571</u>
Net assets		
Invested in capital assets, net of related debt	49,912	44,932
Restricted, OPEB	371	-
Restricted, grant compliance	4,204	4,732
Unrestricted	15,786	9,035
Total net assets	<u>\$ 70,273</u>	<u>\$ 58,699</u>

Changes in Net Assets

The breakdown of program revenue is as follows: 92% comes from operating contributions, while 3% comes from capital grants and contributions; and the remaining program revenue is from charges for services. Total general revenues for fiscal year 2008 were \$113.3 million, consisting primarily of grants and contributions not restricted to specific programs. City appropriations make up approximately 29% of these revenues. The majority of the rest of the grants and contributions not restricted to specific programs are derived from State and Federal funds.

Changes in Net Assets

Years Ended June 30,
(In thousands of dollars)

	2008	2007
Revenues:		
Program revenues:		
Charges for services	\$ 2,627	\$ 2,778
Operating grants and contributions	56,827	51,352
Capital grants and contributions	1,880	1,688
General revenues:		
Interest and investment earnings	945	794
Grants and contributions not restricted	111,807	110,787
Miscellaneous	590	209
Total revenues	174,676	167,608
Program expenses:		
Instruction	118,519	115,459
Administration	5,281	3,808
Attendance and health services	3,212	3,214
Pupil transportation	7,359	6,605
Operations and maintenance	15,493	14,915
Information technology	5,999	4,756
Food services	6,942	6,705
Interest on long-term debt	297	297
Total program expenses	163,102	155,759
Change in net assets	11,574	11,849
Beginning net assets	58,699	46,850
Ending net assets	\$ 70,273	\$ 58,699

Operating contributions in the program revenues section, increased by \$5.4 million over the previous fiscal year. Most of this was related to increases of \$1.5 million in State revenue.

Grants and contributions not restricted, in the general revenues section, increased by \$1.0 million over the previous fiscal year. The City Council increased its appropriation by \$7.1 million as a part of its support of Portsmouth Public Schools and to bring teacher salaries in parity with the region.

Instruction program expenses increased by \$3.0 million over the previous fiscal year. Almost all of this increase was a result of a salary increase in teacher salaries and related benefits.

Financial Analysis of the School Board's Funds

The School Board's combined fund balance for the governmental funds was \$18.1 million for fiscal year ended June 30, 2008. The net change is comparative to last years combined fund balance.

Fund Balance Comparison

June 30

Fund:	<u>2008</u>	<u>2007</u>
General	\$ 5,831,280	\$ 4,500,831
Grants (deficit)	(3,155,944)	(646,515)
Food services	2,010,373	2,353,871
Textbook	995,860	413,686
Construction	<u>12,405,294</u>	<u>8,799,620</u>
Total Combined Fund Balance	<u>\$ 18,086,863</u>	<u>\$ 15,421,493</u>

There were several factors that contributed to the change in fund balance. The General Fund fund balance consists of prior year open Purchase Orders. There was an increase of \$1.4 million in 2007-08 Purchase Orders as compared to 2006-07. At year end, the City contribution is adjusted to zero out unreserved and undesignated fund balance in the General Fund. Decreases in revenue from the federal government and write-offs to old grants were contributing factors to the decrease in the Grants fund balance. An increase in cost for food and fuel, combined with uncollectible charges for services caused a decrease in the fund balance for the Food Services fund. The textbook fund is in its second year and had an increase in interest revenue and a decrease in expenditures which contributed to an increase in the fund balance. In the Construction Fund our revenues consist of bond funds, lottery, and interest. The majority of our construction projects throughout the year were bond funded.

General Fund Budgetary Highlights

Throughout fiscal year 2008, the School Board amended its total budget; however, the School Board delegates authority to the superintendent to move budget amounts between line items and organizational units to meet the changing needs of the School Board. The School Board's administration manages actual spending to the revenue received.

General Fund Fiscal Year 2008 (In thousands of dollars)

	Original Budget	Amended Budget	Actual (Budgetary Basis)
Revenues:			
Intergovernmental	\$ 145,804	\$ 145,804	\$ 144,940
Other	950	950	1,911
Total	146,754	146,754	146,851
Expenditures and transfers:			
Expenditures	142,032	142,032	135,572
Transfers	4,722	4,722	11,279
Total	146,754	146,754	146,851
Change in fund balance	\$ -	\$ -	\$ -

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2008, the School Board had \$57.5 million in capital assets, net of depreciation. Most of the assets are in school buildings and land. Of the equipment, most of the capital assets are the school bus fleet and the maintenance vehicles.

	(in thousands of dollars)	
	2008	2007
Land	\$ 6,147	\$ 6,337
Buildings and improvements	39,835	27,960
Equipment	6,257	6,506
Construction in progress	5,273	12,212
Total	\$ 57,512	\$ 53,015

During fiscal year 2008, the School Board completed \$9.9 million of construction previously reported in construction in progress. This completion of construction in progress comprised a portion of the increase in capital assets.

Readers desiring more information on capital assets are referred to Note 3 in the basic financial statements.

Long-Term Debt

Long-term debt as of fiscal year-end was \$14.4 million, with \$11.2 million due in greater than one year and \$3.2 million due within one year.

The significant portions of long-term debt were \$4.7 million in vacation and sick leave liability, \$7.6 million in energy lease obligations, and \$2.0 million in claims payable related to potential workman's compensation claims.

Readers desiring more information on long-term debt are referred to Note 4 in the basic financial statements.

Economic Factors and Next Year's Budget

Subsequent to the adoption of the budget for fiscal year 2009, some issues have become relevant to the budgeted revenues. They are as follows:

- In its fiscal year 2009 budget, which was effective July 1, 2008, the School Board planned a raise of 4% for teacher salaries and 3.8% for all support and administrative staff.
- New Science, Technology, Engineering, and Math (STEM) initiatives in the 4th and 8th grade.
- School Board funding of \$100 per month for health insurance for employees with children.
- Middle school contact football and cheerleading will begin in Fiscal year 2009.
- There will be an increased energy cost for buildings and buses
- SECEP costs increasing for regional special education
- The start of a new computer-aided Individual Student Alternative Education Plan (ISAEP) program

During the course of the ensuing year, School Board administration will monitor and manage spending in fiscal year 2009 in light of the aforementioned.

Contacting the School Board's Financial Management

This financial report is designed to provide citizens, taxpayers, parents, guardians, and creditors with a general overview of the School Board's finances and to demonstrate the School Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Portsmouth, Virginia, School Board, Superintendent's Office, 801 Crawford Street, Portsmouth, Virginia 23704.

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit I

STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES

June 30, 2008

ASSETS

Cash and cash equivalents	\$ 31,400,569
Cash with fiscal agent	4,203,589
Due from the federal government	4,386,025
Due from the Commonwealth of Virginia	1,879,651
Receivables - net	214,251
Inventory	1,091,180
Due from the primary government	95,535
Capital assets not depreciated	11,419,468
Other capital assets - net	46,092,976
Net OPEB asset	371,495
Total assets	\$ 101,154,739

LIABILITIES

Accounts payable	\$ 7,582,087
Accrued payroll	6,753,138
Accrued payroll taxes	1,852,959
Accrued interest	296,789
Due to primary government	35,351
Long-term liabilities:	
Due within one year	3,211,790
Due in more than one year	11,149,155
Total liabilities	30,881,269

NET ASSETS

Invested in capital assets - net of related debt	49,912,031
Restricted:	
Capital projects	4,203,589
Post employment benefits	371,495
Unrestricted	15,786,355
Total net assets	70,273,470
Total liabilities and net assets	\$ 101,154,739

The accompanying notes are an integral part of the basic financial statements.

STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES

Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Administration	\$ 5,281,050	\$ -	\$ -	\$ -	\$ (5,281,050)
Instruction	118,518,877	140,327	51,935,625	-	(66,442,925)
Attendance and health services	3,212,266	194,671	-	-	(3,017,595)
Pupil transportation	7,359,321	496,259	-	-	(6,863,062)
Operations and maintenance	15,492,941	64,123	-	1,879,933	(13,548,885)
Information technology	5,998,593	-	-	-	(5,998,593)
Food service	6,940,737	1,731,977	4,891,034	-	(317,726)
Interest on long-term debt	296,789	-	-	-	(296,789)
Total Primary Government	\$163,100,574	\$ 2,627,357	\$ 56,826,659	\$ 1,879,933	(101,766,625)
General Revenues					
					111,806,654
Unrestricted grants and contributions					945,002
Investment earnings					589,871
Miscellaneous					<u>113,341,527</u>
Total general revenues and special item					
Change in net assets					11,574,902
Net assets - beginning of year					<u>58,698,568</u>
Net assets - end of year					<u>\$ 70,273,470</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit III
Page 1 of 2

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2008

	General	School Grants	School Food Services	School Textbook	School Construction	Total Governmental Funds
ASSETS						
Cash and investments:						
Cash and temporary investments	\$ 13,634,851	\$ 1,351,985	\$ 2,046,374	\$ 1,001,052	\$ 8,328,287	\$ 26,362,549
Cash with fiscal agent	-	-	-	-	4,203,589	4,203,589
Receivables	45,000	122,159	-	-	6,055	173,214
Due from City of Portsmouth	-	89,480	-	-	-	89,480
Due from federal government, net of allowance of \$275,000	-	3,733,417	652,608	-	-	4,386,025
Due from Commonwealth of Virginia	1,058,568	821,083	-	-	-	1,879,651
Due from other funds	5,658,456	-	-	-	1,646,330	7,304,786
Inventory	638,048	-	76,521	330,263	-	1,044,832
Total assets	\$ 21,034,923	\$ 6,118,124	\$ 2,775,503	\$ 1,331,315	\$ 14,184,261	\$ 45,444,126
LIABILITIES						
Accounts payable	\$ 4,917,723	\$ 417,469	\$ 132,473	\$ 335,455	\$ 1,778,967	\$ 7,582,087
Accrued payroll	6,725,498	-	-	-	-	6,725,498
Accrued payroll taxes	1,852,959	-	-	-	-	1,852,959
Due to City of Portsmouth	35,351	-	-	-	-	35,351
Deferred revenue	-	3,858,438	-	-	-	3,858,438
Due to other funds	1,672,112	4,998,161	632,657	-	-	7,302,930
Total liabilities	15,203,643	9,274,068	765,130	335,455	1,778,967	27,357,263
FUND BALANCES						
Reserved:						
Encumbrances	5,193,232	-	-	-	5,324,368	10,517,600
Inventories	638,048	-	76,521	330,263	-	1,044,832
Capital projects	-	-	-	-	4,203,589	4,203,589
Unreserved:						
Designated:						
Designated for capital projects	-	-	-	-	2,877,337	2,877,337
Undesignated	-	(3,155,944)	1,933,852	665,597	-	(556,495)
Total fund balances (deficit)	5,831,280	(3,155,944)	2,010,373	995,860	12,405,294	18,086,863
Total liabilities and fund balances	\$ 21,034,923	\$ 6,118,124	\$ 2,775,503	\$ 1,331,315	\$ 14,184,261	\$ 45,444,126

The accompanying notes are an integral part of the basic financial statements.

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2008

**Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets**

Total fund balances - governmental funds **\$ 18,086,863**

Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds.

Net assets of governmental funds	\$ 57,512,444	
Net assets of internal service funds	<u>(32,803)</u>	57,479,641

Some of the School Board's revenues will be collected after year-end
but are not available soon enough to pay for the current period's
expenditures and, therefore, are deferred in the funds.

3,858,438

Amounts paid to the trust for other post-employment benefits
in excess of the required contributions, the net OPEB asset, are not
financial resources and, therefore, are not reported in the funds.

371,495

Long-term liabilities are not due and payable in the current period,
and therefore, are not reported as liabilities in the governmental
funds.

Long-term liabilities		
Governmental funds	(14,360,945)	
Internal service funds - current portion	1,025,942	
Internal service funds - long-term portion	<u>993,141</u>	(12,341,862)
Accrued interest payable		(296,789)

Internal service funds are used by management to charge
the costs of certain activities, such as printing and insurance
to individual funds. The assets and liabilities of the internal
internal service funds are included in governmental activities
in the statement of net assets.

3,115,684

Total net assets - governmental activities

\$ 70,273,470

The accompanying notes are an integral part of the basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit IV
Page 1 of 2

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

Year Ended June 30, 2008

	General	School Grants	School Food Services	School Textbook	School Construction	Total Governmental Funds
Revenues						
Intergovernmental						
From City of Portsmouth	\$ 49,791,970	\$ 210,184	\$ -	\$ -	\$ -	\$ 50,002,154
From Commonwealth of Virginia	94,197,424	4,456,514	118,598	1,435,587	2,133,583	102,341,706
From federal government	950,777	9,316,185	4,736,111	-	-	15,003,073
Total intergovernmental	144,940,171	13,982,883	4,854,709	1,435,587	2,133,583	167,346,933
Charges for services	-	-	1,255,369	-	-	1,255,369
Interest	443,127	-	84,999	8,271	285,914	822,311
Miscellaneous	1,468,236	312,128	476,608	-	-	2,256,972
Total revenues	146,851,534	14,295,011	6,671,685	1,443,858	2,419,497	171,681,585
Expenditures						
Current:						
Education:						
Administration	5,101,443	206,548	-	-	-	5,307,991
Instruction	99,625,929	14,883,415	-	861,684	-	115,371,028
Attendance and health services	2,543,523	689,305	-	-	-	3,232,828
Pupil transportation	6,770,686	339,351	-	-	-	7,110,037
Information technology	6,011,697	-	-	-	-	6,011,697
Operation and maintenance	15,422,260	84,186	-	-	-	15,506,446
Food services	-	-	6,833,774	-	-	6,833,774
Capital Outlay	2,003,717	1,478,838	147,515	-	5,232,779	8,862,849
Debt service:						
Principal	461,768	-	21,008	-	-	482,776
Interest	283,903	-	12,886	-	-	296,789
Total expenditures	138,224,926	17,681,643	7,015,183	861,684	5,232,779	169,016,215
Excess (deficiency) of revenues over (under) expenditures	8,626,608	(3,386,632)	(343,498)	582,174	(2,813,282)	2,665,370
Other financing sources (uses)						
Transfers in	-	877,203	-	-	6,418,956	7,296,159
Transfers out	(7,296,159)	-	-	-	-	(7,296,159)
Total other financing sources (uses)	(7,296,159)	877,203	-	-	6,418,956	-
Net change in fund balances	1,330,449	(2,509,429)	(343,498)	582,174	3,605,674	2,665,370
Fund balance (deficit) - beginning of year	4,500,831	(646,515)	2,353,871	413,686	8,799,620	15,421,493
Fund balance (deficit) - end of year	\$ 5,831,280	\$ (3,155,944)	\$ 2,010,373	\$ 995,860	\$ 12,405,294	\$ 18,086,863

The accompanying notes are an integral part of the basic financial statements.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**

Year Ended June 30, 2008

**Reconciliation of the Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds to the Statement of Activities**

Net change in fund balances - total governmental funds **\$ 2,665,370**

Amounts reported for governmental activities in the statement of net assets
are different because:

Governmental funds report capital outlays as expenditures. However, in
the statement of activities the cost of these assets is allocated over their
estimated useful lives and reported as depreciation expense. This is the
amount by which capital outlay exceeded depreciation.

General government capital outlay expenditures	\$ 6,348,187	
Depreciation of general government assets	<u>(1,929,930)</u>	4,418,257

Revenues in the statement of activities that do not provide current
financial resources are not reported as revenues in the funds. 2,854,185

Debt proceeds provide current financial resources to governmental funds,
but issuing debt increases long-term liabilities in the statement of net assets.
Repayment of bond principal is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the statement of net assets.

Add debt repayment 482,776

Some expenses, such as compensated absences and net pension obligation,
reported in the statement of activities, do not require the use of current
financial resources and, therefore, are not reported as expenditures in
governmental funds.

Change in compensated absences and net pension obligation	(299,308)	
Change in net OPEB asset	<u>371,495</u>	72,187

Internal service funds are used by management to charge the cost of
certain activities, such as printing and insurance, to individual funds. The
net revenue of certain internal service funds is reported with governmental
activities.

1,082,127

Change in net assets of governmental activities **\$ 11,574,902**

The accompanying notes are an integral part of the basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit V

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

June 30, 2008

ASSETS		Governmental Activities - Internal Service Funds
Current assets		
Cash and temporary investments	\$	5,038,020
Due from other funds		25,782
Due from other agencies		19,454
Inventories		46,348
Total current assets		5,129,604
Noncurrent assets		
Capital assets:		
Machinery and equipment		908,582
Less - accumulated depreciation		(875,779)
Total noncurrent assets		32,803
Total assets	\$	5,162,407
LIABILITIES AND NET ASSETS		
Current liabilities		
Claims payable - current portion	\$	1,025,942
Due to other funds		27,640
Total current liabilities		1,053,582
Noncurrent liabilities		
Claims payable - net of current portion		943,749
Compensated absences		49,392
Total noncurrent liabilities		993,141
Total liabilities		2,046,723
Net assets		
Invested in capital assets		32,803
Unrestricted		3,082,881
Total net assets		3,115,684
Total liabilities and net assets	\$	5,162,407

The accompanying notes are an integral part of the basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit VI

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET ASSETS - PROPRIETARY FUNDS**

Year Ended June 30, 2008

	Governmental Activities - Internal Service Funds
Operating revenues	
Charges for services	\$ 2,037,023
Total operating revenues	<u>2,037,023</u>
Operating expenses	
Personnel services	368,527
Insurance claims and expenses	391,107
Contractual	113,462
Repairs and maintenance	57,858
Other supplies and expenses	154,779
Depreciation and amortization	8,868
Total operating expenses	<u>1,094,601</u>
Operating income	<u>942,422</u>
Nonoperating revenues	
Interest income	122,691
Insurance recovery	17,014
Total nonoperating revenues	<u>139,705</u>
Income before contributions and transfers	<u>1,082,127</u>
Change in net assets	1,082,127
Total net assets - beginning of year	<u>2,033,557</u>
Total net assets - end of year	<u>\$ 3,115,684</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit VII

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year Ended June 30, 2008

	Governmental Activities - Internal Service Funds
Cash flows from operating activities	
Received from customers and users	\$ 2,059,498
Payments to suppliers for goods and services	(1,011,235)
Payments to employees	(342,067)
Net cash provided by operating activities	<u>706,196</u>
Cash flows from capital and related financing activities	
Proceeds from capital debt	-
Principal paid on capital debt	-
Interest paid on capital debt	-
Net cash used in capital and related financing activities	<u>-</u>
Cash flows from investing activities	
Interest received	122,691
Insurance recovery	17,014
Net cash provided by investing activities	<u>139,705</u>
Net change in cash and temporary investments	845,901
Cash and temporary investments - beginning of year	<u>4,192,119</u>
Cash and temporary investments - end of year	<u>\$ 5,038,020</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	<u>\$ 942,422</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	8,868
Change in compensated absences	(1,180)
Change in assets and liabilities:	
Due from other governments	5,503
Due from other funds	16,912
Equipment	(37,316)
Inventories	28,556
Vouchers and accounts payable	19,217
Claims payable	(276,786)
Total adjustments	<u>(236,226)</u>
Net cash provided by operating activities	<u>\$ 706,196</u>

Supplemental information on significant non-cash transactions:

There were no significant non-cash transactions.

The accompanying notes are an integral part of the basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit VIII

STATEMENT OF NET ASSETS - FIDUCIARY FUNDS

June 30, 2008

ASSETS	School OPEB Trust Fund	Agency Fund
Cash and temporary investments	\$ 650,103	\$ 689,943
LIABILITIES AND NET ASSETS		
Liabilities:		
Due to students	\$ -	\$ 689,943
Net Assets:		
Held in trust for other post-employment benefits	650,103	-
Total liabilities and net assets	\$ 650,103	\$ 689,943

The accompanying notes are an integral part of the basic financial statements.

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit IX

STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS

For the Year Ended June 30, 2008

	<u>School OPEB Trust Fund</u>
Additions	
Contributions	\$ 858,131
Investment earnings	103
Total additions	<u>858,234</u>
Deductions	
Benefits - Health insurance	<u>208,131</u>
Change in net assets	650,103
Net Assets - beginning	<u>-</u>
Net Assets - ending	<u>\$ 650,103</u>

The accompanying notes are an integral part of the basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements presented for the City of Portsmouth, Virginia School Board (School Board) are prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (GASB). The School Board's significant accounting and reporting policies are described below.

The Financial Reporting Entity

The School Board is considered a component unit of the City of Portsmouth (City). The School Board has no component units. Component units are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria: (a) the primary government is accountable for the component unit, and (b) the primary government is able to impose its will upon the component unit (or there is a possibility that the component unit may provide specific financial benefits or impose specific financial burdens on the primary government). The information included in these basic financial statements will also be included in the City of Portsmouth's basic financial statements because of the significance of the School Board's financial relationship with the City.

The School Board determines educational policy and employs a Superintendent of Schools to administer the School Board's policies. The members of the School Board are elected by the citizens of the City of Portsmouth.

The School Board is responsible for elementary and secondary education for the City of Portsmouth.

Basis of Presentation

The School Board's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements: The statement of net assets and the statement of activities display information about the School Board as a whole, except for fiduciary funds. These statements are reflected on a full accrual basis of accounting and economic resources measurement focus, which incorporates long-term assets as well as long-term liabilities.

The statement of net assets presents the financial condition of the governmental type activities of the School Board at year-end. The School Board does not have any business-type activities. The government-wide statement of activities reflects both the gross and net cost per functional category that is otherwise being supported by general government revenues. The statement of activities reduces gross expenses (including depreciation) by related program revenues (charges for services, operating and capital grants, and contributions). The program revenues must be directly associated with the function or a business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items such as grants not specific to a program, not properly included among program revenues, are reported as general revenues. The School Board does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The effect of interfund services provided and used – for example print shop services – are not eliminated in the process of consolidation.

Fund Financial Statements - The accounts of the School Board are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. The fund statements are presented on a current financial resources measurement focus and the modified accrual basis of accounting. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the government-wide financial statements.

Governmental Funds - Governmental Funds are those through which most governmental functions of the School Board are financed. The acquisition, use and balances of the School Board's expendable financial resources and the related liabilities are accounted for through governmental funds. Governmental fund types use the "flow of current financial resources" measurement focus. This means that generally only current assets and current liabilities are reflected on their balance sheets. Their operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. The measurement focus is based upon the determination of changes in financial position, rather than upon net income determination. The School Board reports the following major governmental funds:

General Fund - The General Fund (School Operating Fund) is the general operating fund of the School Board. It is used to account for all financial resources except those required to be accounted for in another fund. Revenues are primarily from other governments (intergovernmental revenues).

School Grants Fund - The School Grants Fund is a special revenue fund which accounts for federal, state and other grants associated with school programs.

School Food Services Fund - The School Food Services Fund is a special revenue fund which accounts for the operations of the cafeterias operating in each school.

School Textbook Fund – The School Textbook Fund is a special revenue fund which accounts for state funding for the acquisition of textbooks.

School Construction Fund - The School Construction Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Additionally, the School Board reports the following fund types:

Internal Service Funds - The Internal Service Funds account for the financing of services provided by one fund to other funds of the School Board. The Risk Management and Insurance Fund accounts for the payment of claims and legal fees, if necessary, on public liability claims arising from the operations of the School Board. The Print Shop Fund accounts for print shop services provided to other departments of the School Board or other governments on a cost reimbursement basis. Operating revenues include charges for services. Operating expenses include cost of services. The internal service funds are included in governmental activities for government-wide reporting purposes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The excess revenue or expenses for the funds are allocated to the appropriate functional activity. In accordance with GASB Statement No. 20, the School Board has elected to follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards Board, in accounting for proprietary funds.

Fiduciary Funds - Fiduciary funds are used to account for assets held by the School Board in trustee capacity or as an agent for individuals, private organizations, and other governments. The fiduciary funds of the School Board are the Student Activities Fund and the School OPEB Trust Fund. The agency fund accounts for the student activity monies maintained on behalf of the students by the school principals at each school. The School Board also has a trust fund that holds the assets contributed for the costs of the Schools Board's other post-employment benefits for employees. Fiduciary funds are not included in the government-wide financial statements.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the fund statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The School Board generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available.

The government-wide statement of net assets and statement of activities and all proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these activities are included on the statement of net assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The statement of net assets, statement of activities and financial statements of the proprietary funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Generally revenues collected within 45 days of year-end are recognized. For grants, revenue is recognized when all eligibility requirements have been met. Expenditures, other than interest and principal on long-term debt which is recorded when due, are recorded when the fund liability is incurred, if measurable.

Receivables

Receivables are presented net of an allowance for doubtful accounts of \$275,000 in the School Grants Fund.

Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory consists of consumable materials and supplies held for future consumption. Under the purchase method of accounting, the cost is recorded as an expenditure in the governmental funds at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reservation which indicates the inventories do not constitute "available spendable resources."

Capital Assets

Capital outlays are recorded as expenditures in the governmental funds and as assets in the government-wide financial statements to the extent the School Board's capitalization threshold of \$5,000 is met.

Depreciation is recorded on general capital assets on a government-wide basis using the straight-line method over the following estimated useful lives:

Buildings and Improvements	20-50 years
Equipment	5-30 years

To the extent the School Board's capitalization threshold of \$5,000 is met, capital outlays of the Proprietary Funds are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the government-wide basis using the straight-line method and the following estimated useful life:

Equipment	5-8 years
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All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated assets are recorded at estimated fair market value on the date received. The School Board has no infrastructure assets.

Under Virginia law, certain property maintained by the School Board is subject to tenancy in common with the City, if the City has incurred a financial obligation for the property, which is payable over more than one fiscal year. The School Board and the City have agreed that such property, having a net book value of \$59,988,985, will be carried on the City's financial statements until the outstanding debt is repaid.

Maintenance, repairs and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

Compensated Absences

School Board employees are granted vacation and sick pay in varying amounts as services are provided. They may accumulate, subject to certain limitations, unused vacation pay earned and, upon retirement, termination or death, may be compensated as salary related payments for certain amounts at their then current rates of pay. After five consecutive years of service, employees, upon retirement, termination or death may be compensated at a daily rate of \$20 for each unused sick leave day earned.

Fund Balances/Net Assets

Fund balances have been classified to reflect the limitations and restrictions placed on the respective funds as follows:

Fund Balances - Reserved - indicates that a portion of fund equity which has been legally segregated for specific purposes or does not represent available expendable resources.

Fund Balances - Unreserved, Undesignated - represents the remainder of the School Board's equity in governmental fund-type balances.

Net Assets in government-wide financial statements are classified as invested in capital assets, net of related debt, restricted and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, laws and regulations of other governments or imposed by law through state statute.

Statement of Cash Flows

For purposes of the statement of cash flows, investments with original maturities of three months or less from the date of purchase are grouped into cash and temporary investments.

Use of Estimates

Management of the School Board has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Management believes any differences between these estimates and actual results should not materially affect the School Board's reporting of its financial position.

2. DEPOSITS AND INVESTMENTS

The School Board maintains individual segregated bank accounts for the School Grants, School Food Services and Print Shop funds. The General, Textbook, School Construction and Risk Management funds share a pooled cash account.

Deposits

At year end, the carrying value of the School Board's deposits with banks and savings institutions was \$27,202,892 and the bank balance was \$33,734,251. The bank balances of the School Board's deposits were covered by Federal Depository Insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (the Act). Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. The State Treasury is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks. If any member financial institution fails, the entire collateral becomes available to satisfy claims of the School Board. If the value of the pool's collateral is inadequate to cover a loss, additional amounts would be assessed on a pro rata basis to the members (banks) of the pool. Therefore, these deposits are considered collateralized and as a result are considered insured.

Investments

State statutes authorize the School Board to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime" quality commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

The School Board does not have a formal investment policy. The City Treasurer's investment policies apply to the School Board's deposits and investments. The Treasurer's investment policy addresses custodial credit risk, interest rate risk, concentration of risk, and credit risk, in which instruments are to be diversified and maturities timed according to anticipated needs in order to minimize any exposure.

The School Board has \$4,197,677 invested in the American Government Obligation Fund as of June 30, 2008. These funds had a credit rating of AAAm by Standard & Poor's. The project related to the Fidelity Treasury Fund was closed therefore there are no longer funds present.

The School Board has \$550,103 invested in Evergreen Treasury Money Market and \$100,000 invested in Wachovia Money Market Funds, for a total OPEB Trust investment of \$650,103.

The School Board has \$4,203,589 in the School Construction Fund that is held with a fiscal agent. Of this, the amount restricted for capital projects is \$4,004,950.

Reconciliation of Total Deposits and Investments

Cash and investments	\$ 31,400,569
Restricted investments	4,203,589
Fiduciary funds	<u>650,103</u>
Total total deposits and investments	<u>\$ 36,254,261</u>

3. CAPITAL ASSETS – NET

A summary of changes in capital assets for the year ended June 30, 2008, follows:

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 6,337,645	\$ -	\$ 190,852	\$ 6,146,793
Construction in progress	12,211,741	2,962,031	9,901,097	5,272,675
Total capital assets - not being depreciated	18,549,386	2,962,031	10,091,949	11,419,468
Capital assets being depreciated:				
Buildings and improvements	55,680,190	12,945,335	2,928,450	65,697,075
Equipment	17,173,211	620,657	-	17,793,868
Total capital assets being depreciated	72,853,401	13,565,992	2,928,450	83,490,943
Less accumulated depreciation for:				
Buildings and improvements	27,720,353	1,070,127	2,928,450	25,862,030
Equipment	10,667,265	868,672	-	11,535,937
Total accumulated depreciation	38,387,618	1,938,799	2,928,450	37,397,967
Total capital assets being depreciated - net	34,465,783	11,627,193	-	46,092,976
Governmental activities capital assets - net	\$ 53,015,169	\$ 14,589,224	\$ 10,091,949	\$ 57,512,444

Depreciation expense was charged to functions as follows:

Governmental Activities:	
Instruction	\$ 1,481,376
Administration, attendance and health services	7,295
Pupil transportation	294,901
Operations and maintenance	85,983
Information technology	25,466
Food services	43,778
Total governmental activities depreciation expense	\$ 1,938,799

Contracts the School Board is committed to at June 30, 2008 are approximately \$5,272,675.

Included in capital assets is equipment which is leased under capital leases in the amount of \$871,266, net of accumulated amortization of \$869,300. Amortization expense for 2008 of \$5,962 is included in depreciation expense.

4. LONG-TERM LIABILITIES

Long-term liabilities are normally paid from the General Fund.

	<u>Net pension obligation</u>	<u>Capital leases</u>	<u>Accrued vacation pay</u>	<u>Accrued sick leave</u>	<u>Claims payable</u>	<u>Total</u>
Amounts payable at beginning of year	\$ 113,030	\$ 8,083,189	\$ 2,239,375	\$ 2,089,736	\$ 2,246,477	\$ 14,771,807
Increase in liabilities	-	-	1,440,634	575,764	356,947	2,373,345
Decrease in liabilities	(82)	(482,776)	(1,054,617)	(612,999)	(633,733)	(2,784,207)
Amounts payable at end of year	<u>\$ 112,948</u>	<u>\$ 7,600,413</u>	<u>\$ 2,625,392</u>	<u>\$ 2,052,501</u>	<u>\$ 1,969,691</u>	<u>\$ 14,360,945</u>
Amounts due within one year	<u>\$ -</u>	<u>\$ 525,848</u>	<u>\$ 1,050,000</u>	<u>\$ 610,000</u>	<u>\$ 1,025,942</u>	<u>\$ 3,211,790</u>

Long-term liabilities applicable to the School Board's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. All liabilities, both current and long-term, are reported in the statement of net assets. Compensated absences are generally liquidated by general, grants, food services and print shop funds. Claims are generally liquidated by the general fund.

The future payments by year of the net pension obligation, accrued vacation pay and sick leave, and claims payable are not determinable.

Leases

A summary of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2008, is as follows:

<u>Fiscal year</u>	
2009	\$ 825,431
2010	850,193
2011	875,699
2012	901,970
2013-2017	4,932,341
2018	<u>1,040,463</u>
Total minimum payments	9,426,097
Less - amount representing interest	<u>(1,825,684)</u>
Present value of principal	<u>\$ 7,600,413</u>

5. DEFINED BENEFIT PENSION PLANS

Virginia Retirement System (VRS)

Plan Description

The School Board contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System.

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of credited service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service or at age 50 with 30 years of service for participating employers, payable monthly for life, in an amount equal to 1.7% of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustments (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing to the VRS at P.O. Box 2500, Richmond, Virginia 23218-2500.

Funding Policy

VRS plan members are required, by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. This 5% member contribution may be assumed by the employer. This 5% member contribution has been assumed by the School Board. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The School Board's contribution rate for non-professional employees for the fiscal years ended 2008, 2007, 2006, and 2005, was 15%, 14%, 12%, and 11%, respectively, of annual covered payroll.

Additionally, required contributions to the VRS' state-wide teacher pool for the current year and each of the two preceding years were as follows:

Year ended June 30,	Required contribution	Actual contribution	Percentage contributed
2008	\$11,948,682	\$11,948,682	100%
2007	\$10,830,686	\$10,830,686	100%
2006	\$ 8,230,067	\$ 8,230,067	100%

Annual Pension Cost

The School Board's annual pension cost and net pension obligation to VRS for the current year were as follows:

Annual required contribution	\$ 946,724
Interest on net pension obligation	8,483
Adjustment to annual required contribution	<u>(8,565)</u>
Annual pension cost	946,642
Contributions made	<u>946,724</u>
Decrease in net pension obligation	(82)
Net pension obligation beginning of year	<u>113,030</u>
Net pension obligation end of year	<u>\$ 112,948</u>

The required contribution was determined as part of the June 30, 2007, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return, (b) projected salary increases of 3.75% to 5.6% per year and (c) 2.5% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.5%. The actuarial value of the School Board's assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The School Board's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis over a period of nineteen years.

Trend Information for the School Board

Year ended June 30,	Annual pension cost (APC)	Percentage of APC contributed	Net pension obligation
2008	\$ 946,642	100%	\$ 112,948
2007	\$ 929,900	100%	\$ 113,030
2006	\$ 903,037	100%	\$ 113,112

Funded Status and Funding Progress

As of June 30, 2007, the most recent actuarial valuation date, the schedule of funding progress for the pension plan is presented below. The schedule of funding progress presents multi year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Overfunded (Unfunded) Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2007	\$24,480,702	\$ 27,907,908	\$ (3,427,206)	87.72%	\$ 8,046,557	42.59%
June 30, 2006	22,044,655	25,078,308	(3,033,653)	87.90%	8,002,672	37.91%
June 30, 2005	21,058,942	24,171,379	(3,112,437)	87.12%	7,759,979	40.11%

6. CONTINGENT LIABILITIES

Risk Management

The School Board is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School Board is self-insured for a portion of these risks. The self-insurance coverage for workers' compensation is \$250,000 per occurrence. Commercial insurance is purchased to cover any liability above these self-insured levels for specific losses. General liability is fully insured. This insurance coverage is substantially the same as in prior fiscal years. There were no settlements within the past three years which exceeded coverage.

The Risk Management and Insurance Fund services all claims of risk of loss to which the School Board is exposed, including workers' compensation, automobile and general liability. All funds of the School Board participate in the Risk Management and Insurance Fund.

A loss analysis was conducted by Mercer Oliver Wyman Actuarial Consulting, Inc. on this fund. The total actuarially computed liability as of June 30, 2008, was determined to be \$1,969,691 (undiscounted) and recorded in the fund and the government-wide statements, accordingly. This was in addition to \$24,883 of claims reported but not paid as of June 30, 2008.

Changes in the fund's claim liability amount in fiscal years 2008 and 2007 were:

	2008	2007
Claims payable at beginning of year	\$ 2,246,477	\$ 2,759,322
Claims and changes in estimates	356,947	306,049
Claims payments	<u>(633,733)</u>	<u>(818,894)</u>
Claims payable at end of year	<u>\$ 1,969,691</u>	<u>\$ 2,246,477</u>

Litigation

The School Board is involved in lawsuits arising in the ordinary course of operations. It is the opinion of the School Board's management, based on the advice of the School Board's attorney, that any losses incurred as a result of claims existing as of June 30, 2008 will not be material to the financial statements.

Grants

The School Board received grant funds, principally from the State and Federal governments, for instructional and various other programs. Expenditures from these grants are subject to audit by the grantor, and the School Board is contingently liable to refund amounts received in excess of allowable expenditures. Based on prior experience, School Board management believes such refunds, if any, will not be significant.

7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivable and payable balances at June 30, 2008, which are considered short-term in nature, are as follows:

	Due from other funds	Due to other funds
General Fund	\$ 5,658,458	\$ 1,672,112
School Grants Fund	-	4,998,161
School Food Services Fund	-	632,657
School Construction Fund	1,646,330	-
Internal Service Funds	25,782	27,640
	<u>\$ 7,330,570</u>	<u>\$ 7,330,570</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers for the year ended June 30, 2008, consisted of the following:

	Transfers from other funds	Transfers to other funds
General Fund	\$ -	\$ (7,296,159)
School Grants Fund	877,203	-
School Construction Fund	6,418,956	-
	<u>\$ 7,296,159</u>	<u>\$ (7,296,159)</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

8. ACCUMULATED DEFICIT AND NEGATIVE NET ASSETS

At June 30, 2008, an accumulated deficit or negative net assets position existed in the following fund:

School Grants Fund	\$3,155,944
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The deficit is expected to be eliminated by grant revenues that were deferred because the amounts were not yet available at year end.

9. POST-EMPLOYMENT HEALTH CARE BENEFITS

Plan Description

The School Board administers a single-employer defined benefit healthcare plan. It provides medical insurance benefits to eligible retirees and their spouses in accordance with the School's personnel policies and procedures. Plan membership as of June 30, 2008 consisted of 1,788 active service participants and 156 retirees and beneficiaries currently receiving benefits. A Trust was established for the purpose of accumulating and investing assets to fund other post-employment benefits obligations. Amounts contributed to the Trust by the School Board are irrevocable and must be used solely to discharge the School Board's obligations for other post-employment benefits and pay for reasonable expenses of the Trust. The OPEB Trust is included as a fiduciary fund in the School Board's financial statements. Separate stand-alone statements are not issued for the plan.

Significant Accounting Policies

The OPEB Trust is a fiduciary-type fund of the School Board. Fiduciary funds use the flow of economic resources measurement focus and the accrual basis of accounting. Contributions are recognized in the period in which amounts are due, and benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value based on quoted market prices.

Funding Policy

The contributions requirements of plan members and the School Board are established and may be amended by the School Board. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the School Board. For fiscal year 2008, the School Board contributed \$858,028 to the plan, including \$208,028 for current benefits and an additional \$650,000 to prefund benefits. Retirees pay approximately 97.6% of the total retiree claim costs and spouses of retirees pay approximately 19.5% of their total claim costs. Costs to administer current benefits are paid from the general fund.

Annual OPEB cost and Net OPEB Obligation

The School Board's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters established in GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities, or funding excess, over a period not to exceed thirty years.

The following table shows the components of the School Board's annual OPEB cost for the year and the amount actually contributed to the plan, as well as the changes in the School Board's net OPEB obligation.

**OPEB Calculation Based on Projected Unit Cost
and Level Percentage of Pay Amortization**

Annual required contribution	\$ 486,533
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	486,533
Contributions made	<u>(858,028)</u>
Increase (decrease) in net OPEB obligation (asset)	(371,495)
Net OPEB obligation (asset) - Beginning of year	<u>-</u>
Net OPEB obligation (asset) - End of year	<u>\$ (371,495)</u>

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for 2008 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
June 30, 2008	\$ 486,533	\$ 858,028	176%	\$ (371,495)

Funded Status and Funding Progress

Based on the most recent (initial) actuarial valuation report for the fiscal year ending January 1, 2006, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$ 4,531,972
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 4,531,972</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan participants)	\$ 92,199,238
UAAL as a percentage of covered payroll	5%

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the School Board's annual required contributions are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information as of June 30, 2008, the first year of implementation. In subsequent years, the schedule will provide additional multiyear trend information about whether the actuarial values of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective.

In the January 1, 2006 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7% investment rate of return (discount rate) and amortization of the Schools' unfunded actuarial accrued liabilities (UAAL) over a period of 30 years. Healthcare cost trend rates ranged from 10% initially to an ultimate rate of 5% for the 2013 fiscal year.

* * * * *

***REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MANAGEMENT'S DISCUSSION AND
ANALYSIS
(UNAUDITED)***

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit XI

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual (Budgetary Basis)	Variance with Amended Budget Positive (Negative)
Revenues				
Intergovernmental:				
From City of Portsmouth	\$49,791,970	\$49,791,970	\$49,791,970	\$ -
From Commonwealth of Virginia	95,352,428	95,352,428	94,197,424	(1,155,004)
From federal government	660,000	660,000	950,777	290,777
Interest	285,000	285,000	443,127	158,127
Miscellaneous	665,000	665,000	1,468,236	803,236
Total revenues	<u>146,754,398</u>	<u>146,754,398</u>	<u>146,851,534</u>	<u>97,136</u>
Expenditures				
Education:				
Administration	4,102,330	4,077,630	5,224,159	(1,146,529)
Instruction	104,246,211	104,109,275	100,530,915	3,578,360
Attendance and health services	2,656,471	2,653,521	2,703,418	(49,897)
Pupil transportation	5,457,884	5,657,884	6,674,280	(1,016,396)
Operations and maintenance	17,893,780	17,893,280	7,129,420	10,763,860
Information technology	5,206,584	4,546,584	15,600,001	(11,053,417)
Total education	<u>139,563,260</u>	<u>138,938,174</u>	<u>137,862,193</u>	<u>1,075,981</u>
Capital outlay	<u>2,484,683</u>	<u>3,093,619</u>	<u>1,693,182</u>	<u>1,400,437</u>
Total expenditures	<u>142,047,943</u>	<u>142,031,793</u>	<u>139,555,375</u>	<u>2,476,418</u>
Excess of revenues over expenditures	<u>4,706,455</u>	<u>4,722,605</u>	<u>7,296,159</u>	<u>2,573,554</u>
Other financing uses				
Transfers out	<u>(4,706,455)</u>	<u>(4,722,605)</u>	<u>(7,296,159)</u>	<u>(2,573,554)</u>
Excess of revenues over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance at beginning of year			4,500,831	
Increase in reserve for encumbrances			1,361,454	
Decrease in reserve for inventory			(31,005)	
Fund balance at end of year			<u>\$ 5,831,280</u>	

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit XII

SCHOOL GRANTS FUND
BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual (Budgetary Basis)	Variance with Amended Budget Positive (Negative)
Revenues				
Intergovernmental:				
From City of Portsmouth	\$ -	\$ 271,243	\$ 210,184	\$ (61,059)
From Commonwealth of Virginia	-	3,896,073	4,456,514	560,441
From federal government	-	13,851,872	9,316,185	(4,535,687)
Miscellaneous	-	228,009	312,128	84,119
Total revenues	<u>-</u>	<u>18,247,197</u>	<u>14,295,011</u>	<u>(3,952,186)</u>
Expenditures				
Education:				
Administration	-	1,347,768	895,853	451,915
Instruction	-	16,750,832	14,883,415	1,867,417
Operations and maintenance	-	385,077	423,537	(38,460)
Total education	<u>-</u>	<u>18,483,677</u>	<u>16,202,805</u>	<u>2,280,872</u>
Capital outlay	<u>-</u>	<u>770,153</u>	<u>1,478,838</u>	<u>(708,685)</u>
Total expenditures	<u>-</u>	<u>19,253,830</u>	<u>17,681,643</u>	<u>1,572,187</u>
Excess of revenues over expenditures	-	(1,006,633)	(3,386,632)	(2,379,999)
Other financing uses				
Transfers in	<u>-</u>	<u>1,006,633</u>	<u>877,203</u>	<u>(129,430)</u>
Excess of revenues over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>(2,509,429)</u>	<u>\$ (2,509,429)</u>
Fund balance at beginning of year			(646,515)	
Net accruals and adjustments			-	
Fund balance at end of year			<u>\$ (3,155,944)</u>	

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit XIII

SCHOOL FOOD SERVICES FUND
BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual (Budgetary Basis)	Variance with Amended Budget Positive (Negative)
Revenues				
Intergovernmental:				
From Commonwealth of Virginia	\$ 120,356	\$ 120,356	\$ 118,598	\$ (1,758)
From federal government	4,250,000	4,250,000	4,263,572	13,572
Donated commodities from the federal government	1,550,000	1,550,000	472,539	(1,077,461)
Charges for services	388,880	388,880	1,255,369	866,489
Interest	-	-	84,999	84,999
Miscellaneous	350,000	350,000	476,608	126,608
Total revenues	<u>6,659,236</u>	<u>6,659,236</u>	<u>6,671,685</u>	<u>12,449</u>
Expenditures				
Food services	6,659,236	6,659,236	6,827,875	(168,639)
Capital outlay	-	-	147,515	(147,515)
Total expenditures	<u>6,659,236</u>	<u>6,659,236</u>	<u>6,975,390</u>	<u>(316,154)</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(303,705)</u>	<u>\$ 328,603</u>
Fund balance at beginning of year			2,353,871	
Increase in reserve for inventory			(39,793)	
Fund balance at end of year			<u>\$ 2,010,373</u>	

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Exhibit XIV

SCHEDULE OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLAN (UNAUDITED)

Year Ended June 30, 2008

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Overfunded (Unfunded) Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2007	\$ 24,480,702	\$ 27,907,918	\$ (3,427,216)	87.72%	\$ 8,046,557	42.59%
June 30, 2006	22,044,655	25,078,308	(3,033,653)	87.90%	8,002,672	37.91%
June 30, 2005	21,058,942	24,171,379	(3,112,437)	87.12%	7,759,979	40.11%

SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFIT PLANS

Year Ended June 30, 2008

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Overfunded (Unfunded) Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2006	\$ -	\$ 4,531,972	\$ (4,531,972)	0.00%	\$ 92,199,238	5%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2008

1. BUDGETS AND BUDGETARY ACCOUNTING

The budget data reflected in the financial statements was created by the School Board using the procedures which follow:

- 1) The School Board submits to the City Council of the City a proposed operating budget for the General and Special Revenue Funds for the forthcoming fiscal year by April 1. The legal level of budgetary control rests at the fund level for the General and Special Revenue Funds. Management control is exercised over the budgets at the budgetary line item level.
- 2) The budgets are legally enacted through passage of an ordinance by the City Council 45 days prior to the end of the current fiscal year.
- 3) The School Board is authorized to make transfers between budgetary line items; however, revisions that alter the total expenditures of the total budget must be approved by the City Council.
- 4) The General and Special Revenue Funds have legally adopted annual budgets. The General and Special Revenue Fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States, except for the recognition of encumbrances as expenditures. Budgets related to the School Construction Fund are adopted on a project basis.
- 5) The School Board employs encumbrance accounting under which obligations in the form of purchase orders, contracts and other commitments for the expenditure of funds are reported as reservations of fund balances, since they do not constitute expenditures or liabilities. Appropriations with outstanding commitments or encumbrances are carried into the following year. According to the City of Portsmouth, Virginia Code, unexpended, unencumbered appropriations lapse at the end of the year.

SUPPLEMENTARY INFORMATION

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Schedule 1

COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS

June 30, 2008

	Print Shop	Risk Management	Total
ASSETS			
Current assets:			
Cash and temporary investments	\$ 760,188	\$ 4,277,832	\$ 5,038,020
Due from other funds	25,782	-	25,782
Due from other agencies	19,454	-	19,454
Inventories	46,348	-	46,348
Total current assets	851,772	4,277,832	5,129,604
Noncurrent assets			
Capital assets:			
Machinery and equipment	908,582	-	908,582
Less- accumulated depreciation	(875,779)	-	(875,779)
Total capital assets	32,803	-	32,803
Total assets	\$ 884,575	\$ 4,277,832	\$ 5,162,407
LIABILITIES			
Current liabilities:			
Claims payable - current portion	\$ -	\$ 1,025,942	\$ 1,025,942
Due to other funds	27,640	-	27,640
Total current liabilities	27,640	1,025,942	1,053,582
Noncurrent liabilities			
Claims payable - less current portion	-	943,749	943,749
Compensated absences	49,392	-	49,392
Total long-term liabilities	49,392	943,749	993,141
Total liabilities	77,032	1,969,691	2,046,723
NET ASSETS			
Invested in capital assets	32,803	-	32,803
Unrestricted	774,740	2,308,141	3,082,881
Total net assets	807,543	2,308,141	3,115,684
Total liabilities and net assets	\$ 884,575	\$ 4,277,832	\$ 5,162,407

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth,

Schedule 2

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS - INTERNAL SERVICE FUNDS**

Year Ended June 30, 2008

	Print Shop	Risk Management	Total
Operating revenues			
Charges for services	\$ 848,195	\$ 1,188,828	\$ 2,037,023
Total operating revenues	<u>848,195</u>	<u>1,188,828</u>	<u>2,037,023</u>
Operating expenses			
Personnel services	368,527	-	368,527
Insurance claims and expenses	-	391,107	391,107
Contractual services	113,462	-	113,462
Repairs and maintenance	57,858	-	57,858
Other supplies and expenses	154,779	-	154,779
Depreciation and amortization	8,868	-	8,868
Total operating expenses	<u>703,494</u>	<u>391,107</u>	<u>1,094,601</u>
Operating income	<u>144,701</u>	<u>797,721</u>	<u>942,422</u>
Nonoperating revenue			
Interest income	-	122,691	122,691
Insurance recovery	-	17,014	17,014
Total nonoperating revenue	<u>-</u>	<u>139,705</u>	<u>139,705</u>
Change in net assets	144,701	937,426	1,082,127
Net assets - beginning of year	<u>662,842</u>	<u>1,370,715</u>	<u>2,033,557</u>
Net assets - end of year	<u>\$ 807,543</u>	<u>\$ 2,308,141</u>	<u>\$ 3,115,684</u>

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Schedule 3

COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS

Year Ended June 30, 2008

	Print Shop	Risk Management	Total
Cash flows from operating activities			
Received from customers and users	\$ 870,670	\$ 1,188,828	\$ 2,059,498
Payments to suppliers for goods and services	(343,342)	(667,893)	(1,011,235)
Payments to employees	(342,067)	-	(342,067)
Net cash provided by operating activities	185,261	520,935	706,196
Cash flows from investing activities			
Interest received	-	122,691	122,691
Insurance recovery	-	17,014	17,014
Net cash provided by investing activities	-	139,705	139,705
Net change in cash and temporary investments	185,261	660,640	845,901
Cash and temporary investments - beginning of year	574,927	3,617,192	4,192,119
Cash and temporary investments - end of year	\$ 760,188	\$ 4,277,832	\$ 5,038,020
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 144,701	\$ 797,721	\$ 942,422
Adjustments to reconcile net operating income to net cash provided by operating activities:			
Depreciation and amortization	8,868	-	8,868
Change in compensated absences	(1,180)	-	(1,180)
Change in assets and liabilities:			
Due from other governments	5,503	-	5,503
Due from other funds	16,912	-	16,912
Equipment	(37,316)	-	(37,316)
Inventories	28,556	-	28,556
Vouchers and accounts payable	19,217	-	19,217
Claims payable	-	(276,786)	(276,786)
Total adjustments	40,560	(276,786)	(236,226)
Net cash provided by operating activities	\$ 185,261	\$ 520,935	\$ 706,196

Supplemental information on significant non-cash transactions:

There were no significant non-cash transactions

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Schedule 4

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND - STUDENT ACTIVITIES

Year Ended June 30, 2008

ASSETS	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Cash and temporary investments	<u>\$ 743,103</u>	<u>\$ 1,864,761</u>	<u>\$ 1,917,921</u>	<u>\$ 689,943</u>
LIABILITIES				
Due to students	<u>\$ 743,103</u>	<u>\$ 1,864,761</u>	<u>\$ 1,917,921</u>	<u>\$ 689,943</u>

STATISTICAL SECTION

(Unaudited)

This part of the City of Portsmouth, Virginia School Board's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Page

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

47-50

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, food service sales.

51

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

52

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

53-56

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

57-61

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of City of Portsmouth, Virginia

Table 1

Net Assets by Component (unaudited)
Last Seven Fiscal Years
(accrual basis of accounting)

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Governmental activities							
Invested in capital assets- net of related debt	\$ 49,912,031	\$ 44,931,980	\$ 36,504,731	\$ 38,854,790	\$ 37,412,004	\$ 34,173,737	\$ 33,554,689
Restricted:							
OPEB	371,495	-	-	-	-	-	-
Grant compliance	-	347,430	1,654,671	1,357,929	1,545,299	-	-
Capital Projects	4,203,589	4,384,612	-	-	-	-	-
Unrestricted	15,786,355	9,034,546	9,057,344	4,757,151	4,910,804	8,854,713	5,668,611
Total governmental activities net assets	<u>\$ 70,273,470</u>	<u>\$ 58,698,568</u>	<u>\$ 47,216,746</u>	<u>\$ 44,969,870</u>	<u>\$ 43,868,107</u>	<u>\$ 43,028,450</u>	<u>\$ 39,223,300</u>

Note: Information for years prior to 2002 is not available.

Source: Comprehensive Annual Financial Report for the relevant year

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of City of Portsmouth, Virginia

Table 2

Changes in Net Assets (unaudited)
Last Seven Fiscal Years
(accrual basis of accounting)

	2008	2007	2006	2005	2004	2003	2002
Expenses							
Governmental activities							
Administration	\$ 5,281,050	\$ 3,808,174	\$ 3,386,754	\$ 3,086,711	\$ 3,416,935	\$ 2,656,805	\$ 2,827,948
Instruction	118,518,877	115,070,507	103,745,706	99,863,747	94,328,782	89,488,370	89,485,404
Attendance and health services	3,212,266	3,213,924	3,277,834	2,836,441	3,023,549	3,024,078	2,702,121
Pupil transportation	7,359,321	6,605,055	6,332,823	5,429,111	5,332,389	4,586,066	4,200,016
Operations and maintenance	15,492,941	14,914,931	16,498,396	15,652,607	15,047,717	15,782,128	14,159,569
Information technology	5,998,593	4,756,984	4,949,187	3,740,252	970,603	-	-
Food service	6,940,737	6,704,880	6,657,855	6,561,790	6,328,371	6,534,184	6,625,435
Interest on long-term debt	296,789	297,069	371,917	11,383	17,314	33,600	30,777
Total primary government	<u>\$ 163,100,574</u>	<u>\$ 155,371,524</u>	<u>\$ 145,220,472</u>	<u>\$ 137,182,042</u>	<u>\$ 128,465,660</u>	<u>\$ 122,105,231</u>	<u>\$ 120,031,270</u>
Program Revenues							
Governmental activities							
Charges for services	\$ 2,627,357	\$ 2,778,245	\$ 2,777,414	\$ 2,414,995	\$ 2,795,732	\$ 2,906,650	\$ 2,350,445
Operating grants and contributions	56,826,659	51,351,840	45,767,845	43,419,115	37,082,937	39,891,583	39,421,499
Capital grants and contributions	1,879,933	1,688,185	1,912,088	2,345,261	4,627,153	4,354,378	10,176,902
Total governmental activities program revenue	<u>\$ 61,333,949</u>	<u>\$ 55,818,270</u>	<u>\$ 50,457,347</u>	<u>\$ 48,179,371</u>	<u>\$ 44,505,822</u>	<u>\$ 47,152,611</u>	<u>\$ 51,948,846</u>
Net (Expense)/Revenue							
Governmental activities:	<u>\$(101,766,625)</u>	<u>\$ (99,553,254)</u>	<u>\$ (94,763,125)</u>	<u>\$ (89,002,671)</u>	<u>\$ (83,959,838)</u>	<u>\$ (74,952,620)</u>	<u>\$ (68,082,424)</u>
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Unrestricted grants and contributions	\$ 111,806,654	\$ 110,786,754	\$ 96,768,950	\$ 89,873,769	\$ 82,412,727	\$ 78,615,389	\$ 75,857,334
Investment earnings	945,002	793,744	630,641	199,291	90,611	112,636	181,064
Miscellaneous	589,871	209,103	27,774	31,374	14,637	29,745	10,605
Special Item	-	-	(784,133)	-	(116,789)	-	-
Total governmental activities	<u>\$ 113,341,527</u>	<u>\$ 111,789,601</u>	<u>\$ 96,643,232</u>	<u>\$ 90,104,434</u>	<u>\$ 82,401,186</u>	<u>\$ 78,757,770</u>	<u>\$ 76,049,003</u>
Change in Net Assets							
Governmental activities	<u>\$ 11,574,902</u>	<u>\$ 12,236,347</u>	<u>\$ 1,880,107</u>	<u>\$ 1,101,763</u>	<u>\$ (1,558,652)</u>	<u>\$ 3,805,150</u>	<u>\$ 7,966,579</u>

Note: Information for years prior to 2002 is not available.

Source: Comprehensive Annual Financial Report for relevant year

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of City of Portsmouth, Virginia

Table 3

Fund Balances, Governmental Funds (unaudited)
Last Seven Fiscal Years
(modified accrual basis of accounting)

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General Fund							
Reserved	\$ 5,831,280	\$ 4,500,831	\$ 4,725,734	\$ 5,927,212	\$ 6,235,088	\$ 8,639,022	\$ 7,128,870
Total General Fund	<u>\$ 5,831,280</u>	<u>\$ 4,500,831</u>	<u>\$ 4,725,734</u>	<u>\$ 5,927,212</u>	<u>\$ 6,235,088</u>	<u>\$ 8,639,022</u>	<u>\$ 7,128,870</u>
All Other Governmental Funds							
Reserved							
Grants	\$ -	\$ 347,430	\$ 1,654,671	\$ 1,357,929	\$ 1,545,299	\$ -	\$ -
Food Services	76,521	36,728	38,237	32,001	34,965	68,388	90,781
Capital Projects	9,527,957	5,916,981	-	1,129,244	3,736,089	-	-
Textbook	330,263	308,882	-	-	-	-	-
Unreserved, reported in:							
Grants	(3,155,944)	(993,945)	(470,375)	(159,155)	(536,786)	-	-
Food Services	1,933,852	2,317,143	2,319,131	2,240,739	2,252,567	2,355,468	2,409,253
Capital Projects	2,877,337	2,882,639	7,140,000	18,277	(2,266,708)	2,022,253	411,373
Textbook	665,597	104,804	-	-	-	-	-
Total all other governmental funds	<u>\$ 12,255,583</u>	<u>\$ 10,920,662</u>	<u>\$ 10,681,664</u>	<u>\$ 4,619,035</u>	<u>\$ 4,765,426</u>	<u>\$ 4,446,109</u>	<u>\$ 2,911,407</u>

Note: Information for years prior to 2002 is not available.

Source: Comprehensive Annual Financial Report for relevant year

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of City of Portsmouth, Virginia

Table 4

Changes in Fund Balances, Governmental Funds
Last Seven Fiscal Years
(modified accrual basis of accounting)

	2008	2007	2006	2005	2004	2003	2002
Revenues							
Intergovernmental							
Federal grants	\$ 15,003,073	\$ 18,013,124	\$ 18,255,075	\$ 17,608,987	\$ 16,115,547	\$ 15,919,634	\$ 14,534,710
Federal donated commodities	-	-	-	-	-	385,996	394,177
State grants and other	102,341,706	101,872,969	89,004,492	86,360,715	78,750,543	78,346,433	78,617,044
City of Portsmouth	50,002,154	42,936,433	36,939,444	31,543,601	28,802,407	28,166,130	31,563,811
Local							
Charges for services	1,255,369	1,408,694	1,425,495	1,388,465	1,383,724	1,534,025	1,429,548
Interest	822,311	759,818	557,804	174,968	74,954	107,714	179,058
Miscellaneous	2,256,972	1,984,185	1,761,915	1,393,791	1,658,997	1,400,470	1,344,498
	<u>171,681,585</u>	<u>166,975,223</u>	<u>147,944,225</u>	<u>138,470,527</u>	<u>126,786,172</u>	<u>125,860,402</u>	<u>128,062,846</u>
Expenditures							
Current							
Education							
Administration	5,307,991	3,851,694	3,367,420	3,077,453	3,065,160	2,641,677	2,795,487
Instruction	115,371,028	116,186,858	101,365,515	95,286,713	91,141,849	86,297,662	84,817,579
Attendance and health services	3,232,828	3,260,561	3,270,297	2,838,577	3,014,440	3,026,725	2,678,998
Pupil transportation	7,110,037	5,873,848	5,899,213	5,017,220	4,826,015	4,258,871	3,744,564
Information technology	6,011,697	4,741,880	4,858,538	3,680,937	921,747	-	-
Operation and maintenance	15,506,446	14,850,521	16,374,494	15,554,177	15,002,639	11,639,729	11,567,097
Food services	6,833,774	6,751,691	6,579,699	6,500,155	6,278,051	6,462,611	6,717,219
Debt service							
Principal	482,776	388,469	-	-	-	-	-
Interest	296,789	366,769	-	-	-	10,643	247,616
Capital outlay	8,862,849	10,688,837	9,853,137	6,955,168	7,063,486	8,102,289	14,095,068
Total Expenditures	<u>169,016,215</u>	<u>166,961,128</u>	<u>151,568,313</u>	<u>138,910,400</u>	<u>131,313,387</u>	<u>122,440,207</u>	<u>126,663,628</u>
Excess (deficiency) of revenues over expenditures	<u>2,665,370</u>	<u>14,095</u>	<u>(3,624,088)</u>	<u>(439,873)</u>	<u>(4,527,215)</u>	<u>3,420,195</u>	<u>1,399,218</u>
Other financing sources (uses)							
Transfers in	7,296,159	5,971,239	3,497,412	774,354	867,642	739,399	855,411
Transfers out	(7,296,159)	(5,971,239)	(3,497,412)	(774,354)	(867,642)	(739,399)	(855,411)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Change in Fund Balances	<u>\$ 2,665,370</u>	<u>\$ 14,095</u>	<u>\$ (3,624,088)</u>	<u>\$ (439,873)</u>	<u>\$ (4,527,215)</u>	<u>\$ 3,420,195</u>	<u>\$ 1,399,218</u>
Ratio of debt service expenditures to noncapital expenditures	0.49%	0.49%	0.00%	0.00%	0.00%	0.01%	0.22%

Note: Information for years prior to 2002 is not available.

Source: Comprehensive Annual Financial Report for relevant year

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of City of Portsmouth, Virginia

Table 5

Operating Indicators (unaudited)
Own Source Revenue
Last Seven Fiscal Years

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Enrollment							
Level							
Elementary	8,193	8,538	8,575	7,410	7,766	7,887	8,266
Middle	2,031	2,034	2,350	3,615	3,587	3,755	3,760
High	3,982	4,191	4,510	4,252	4,445	4,207	4,058
Special Centers	697	483	591	802	695	128	178
School Lunches							
Full	\$ 637,770	\$ 642,493	\$ 635,614	\$ 577,682	\$ 653,222	\$ 660,768	\$ 707,094
Reduced	140,030	151,055	150,229	155,677	152,257	169,783	194,008
Free	972,755	993,511	1,030,888	1,060,674	1,022,152	1,077,868	1,124,657
Total	<u>\$ 1,750,555</u>	<u>\$ 1,787,059</u>	<u>\$ 1,816,731</u>	<u>\$ 1,794,033</u>	<u>\$ 1,827,631</u>	<u>\$ 1,908,419</u>	<u>\$ 2,025,759</u>
School Breakfasts							
Full	\$ 430,486	\$ 475,673	\$ 482,397	\$ 462,233	\$ 1,827,631	\$ 411,773	\$ 392,994
Reduced	107,301	122,279	119,640	113,906	426,531	110,177	108,858
Free	730,901	784,313	800,387	794,766	110,777	837,780	891,695
Total	<u>\$ 1,268,688</u>	<u>\$ 1,382,265</u>	<u>\$ 1,402,424</u>	<u>\$ 1,370,905</u>	<u>\$ 2,364,939</u>	<u>\$ 1,359,730</u>	<u>\$ 1,393,547</u>
Meal Prices							
Breakfast							
Elementary	Free	Free	Free	Free	Free	Free	Free
Middle	Free	Free	Free	Free	Free	Free	Free
High	Free	Free	Free	Free	Free	Free	Free
Adult Ed	\$ 0.60	\$ 0.60	\$ 0.60	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50
Lunches							
Elementary	\$ 1.25	\$ 0.85	\$ 0.85	\$ 0.75	\$ 0.75	\$ 0.65	\$ 0.65
Middle	\$ 1.25	\$ 0.95	\$ 0.95	\$ 0.85	\$ 0.85	\$ 0.75	\$ 0.75
High	\$ 1.25	\$ 0.95	\$ 0.95	\$ 0.85	\$ 0.85	\$ 0.75	\$ 0.75
Reduced	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30
Adult Ed	\$ 2.75	\$ 2.00	\$ 2.00	\$ 1.75	\$ 1.75	\$ 1.50	\$ 1.50

Source: Portsmouth Public Schools - Food Services Division

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of City of Portsmouth, Virginia

Table 6

Capital Leases (unaudited)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2008	\$ 525,847.61	\$ 299,582.68	\$ 825,430.29
2009	571,337.69	278,855.54	850,193.23
2010	619,363.73	256,335.33	875,699.06
2011	670,047.96	231,922.10	901,970.06
2012	723,518.12	205,511.06	929,029.18
2013	779,907.67	176,992.41	956,900.08
2014	839,356.05	146,251.08	985,607.13
2015	902,008.88	113,166.49	1,015,175.37
2016	968,018.32	77,612.33	1,045,630.65
2017	1,001,006.60	39,456.31	1,040,462.91
	<u>\$ 7,600,412.63</u>	<u>\$ 1,825,685.33</u>	<u>\$ 9,426,097.96</u>

Source: Citimortgage Master Lease Rental Payment Schedule

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of City of Portsmouth, Virginia

Table 7

Demographic and Economic Statistics (unaudited)
Last Seven Fiscal Years

Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age	School Enrollment	Unemploy- ment Rate
2008	101,967	*	*	34.9	14,287	4.20%
2007	99,546	*	*	34.8	14,990	4.30%
2006	*	*	*	34.8	15,243	*
2005	100,169	\$ 1,834,195	\$ 27,799	34.9	15,309	6.20%
2004	97,800	1,542,795	25,171	34.4	15,642	6.90%
2003	97,600	1,539,640	23,835	34.4	15,928	6.30%
2002	98,400	1,552,260	22,173	34.4	16,221	6.30%

* Information not available at this time

Note: Information for years prior to 2002 is not available.

Source: Economic Development Office - City of Portsmouth except for School Enrollment which is average daily membership submitted to the Virginia Department of Education by the Portsmouth Public School System

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of City of Portsmouth, Virginia

Table 8

Principal Employers (unaudited)
Last Seven Fiscal Years

Employer	2007		2006		2005		2004		2003		2002	
	Percentage of Total City		Percentage of Total City		Percentage of Total City		Percentage of Total City		Percentage of Total City		Percentage of Total City	
	Employees	Employment	Employees	Employment	Employees	Employment	Employees	Employment	Employees	Employment	Employees	Employment
Norfolk Naval Shipyard	7,500	16.12%	7,700	0.1695	7,600	0.1685	7,600	0.1597	7,800	0.1666	7,800	0.1681
Naval Medical Center	5,400	11.60%	5,400	0.1189	5,463	0.1211	5,463	0.1148	5,000	0.1068	5,000	0.1078
Portsmouth Public Schools	2,507	5.39%	2,500	0.0550	2,500	0.0554	2,700	0.0567	2,801	0.0598	2,801	0.0604
City of Portsmouth	2,605	5.60%	2,558	0.0563	2,542	0.0564	2,448	0.0514	2,406	0.0514	2,406	0.0519
Maryview Medical Center, Bon Secours	2,200	4.73%	2,200	0.0484	2,200	0.0488	2,000	0.0420	1,987	0.0425	1,987	0.0428
US Fifth District Coast Guard Command	1,500	3.22%	1,500	0.0330	1,500	0.0333	1,400	0.0294	1,900	0.0406	1,900	0.0410
Alternative Behavioral Services	800	1.72%	800	0.0176	800	0.0177	800	0.0168	700	0.0150	700	0.0151
Gwaltney of Smithfield	500	1.07%	500	0.0110	440	0.0098	520	0.0109	504	0.0108	504	0.0109
Southeastern Public Service Authority	445	0.96%	485	0.0107	473	0.0105	473	0.0099	420	0.0090	420	0.0091
Earl Industries LLC	615	1.32%	500	0.0110	414	0.0092	850	0.0179	400	0.0085	400	0.0086
Renaissance Portsmouth Hotel	150	0.32%	161	0.0035	161	0.0036	161	0.0034	225	0.0048	225	0.0048
Moon Engineering Co., Inc.									204	0.0044	204	0.0044
WAVY-TV	177	0.38%	187	0.0041	187	0.0041	187	0.0039	184	0.0039	184	0.0040
CDI Marine Co. Inc.	290	0.62%	290	0.0064	290	0.0064	290	0.0061	176	0.0038	176	0.0038
Universal Maritime Services Corp.									160	0.0034	160	0.0034
John E. Hall Electrical Construction	166	0.36%	130	0.0029	130	0.0029	150	0.0032	150	0.0032	150	0.0032
Lindab, Inc.	115	0.25%	140	0.0031	115	0.0025	134	0.0028	142	0.0030		
Wal-mart Supercenter	386	0.83%										
	25,356	54.49%	25,051	55.14%	24,815	55.01%	25,176	52.91%	25,159	53.75%	25,017	53.92%
Civilian Labor Force	46,533		45,435		45,108		47,582		46,807		46,398	

* 2008 Data unavailable at this time.

Source: Economic Development - City of Portsmouth

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of City of Portsmouth, Virginia

Table 9

Employees by Class Code (unaudited)
Last Seven Fiscal Years

Employees Count:	2008	2007	2006	2005	2004	2003	2002
School board members	7	9	9	9	9	8	9
Superintendent	1	1	1	1	1	1	1
Assistant superintendents	2	2	2	2	2	2	3
Directors	10	10	10	8	7	7	7
Coordinators	8	11	12	13	13	13	14
Education specialists	17	6	5	10	11	12	14
Supervisors	40	38	35	28	23	16	15
Principals	25	25	25	25	25	24	27
Assistant principals	34	33	31	32	30	30	30
Teachers	1,094	1,131	1,149	1,165	1,142	1,143	1,193
Guidance and other counselors	47	46	47	47	49	43	43
Librarians	25	23	25	26	27	29	29
Speech therapists	24	26	-	14	17	20	22
School social workers	9	8	8	8	8	10	9
Home school liaisons	2	4	10	3	14	12	12
Medical staff	33	31	31	29	29	30	35
Psychologists	11	11	10	9	11	11	10
Secretaries	156	168	160	160	154	156	162
Paraprofessionals	258	268	298	291	322	318	336
Bus drivers and monitors	161	170	167	169	168	167	169
Operations and maintenance staff	189	201	200	201	209	205	217
School crossing guards	37	36	39	43	45	42	46
In school suspension	8	7	8	7	6	6	7
Special police officers	18	18	21	16	22	20	22
Print shop personnel	4	5	4	4	4	4	4
Cafeteria staff	136	147	161	151	170	174	182
Purchasing personnel	1	1	5	2	2	-	-
Other	7	10	-	23	1	7	8
	<u>2,364</u>	<u>2,446</u>	<u>2,473</u>	<u>2,496</u>	<u>2,521</u>	<u>2,510</u>	<u>2,626</u>

Source: Portsmouth Public Schools - Budget and Planning Department

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of City of Portsmouth, Virginia

Table 10

Teachers - Total Number, Average Age, Average Salary (unaudited)

	Number of Teachers	Average Teacher Age	Average Teacher Salary	Education Level			
				BA	MA	CAS	PHD
2008							
Elementary	625	43.4	\$ 47,149	317	285	22	1
Middle	169	45.9	\$ 47,720	102	63	4	0
High	286	46.7	\$ 49,210	164	107	13	2
Other	68	48.2	\$ 54,040	27	26	13	2
2007							
Elementary	534	42.8	\$ 45,376	197	324	11	2
Middle	202	44.9	\$ 45,100	123	76	2	1
High	287	46.4	\$ 45,128	157	119	7	4
Other	22	46.9	\$ 49,637	7	4	10	1
2006							
Elementary	628	42.5	\$ 44,048	368	244	8	2
Middle	195	44.3	\$ 44,675	133	58	2	1
High	285	45.9	\$ 45,941	185	92	5	3
Other	28	45.8	\$ 49,934	14	10	1	0

Note: Information for years prior to 2006 is not available.

Source: Portsmouth Public Schools - Human Resource Department

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of City of Portsmouth, Virginia

Table 11

Capital Assets Statistics (unaudited)
Last Seven Fiscal Years

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Building							
Elementary	17	17	17	17	17	18	18
Middle	3	3	4	5	5	5	5
High	3	3	3	3	3	3	3
Other	3	3	3	3	3	3	3
Fleet							
School Buses	132	144	130	129	143	130	144
Other	69	59	65	63	55	58	57
Athletics							
Football Fields	3	2	2	2	2	2	2
Running Tracks	3	2	3	3	3	3	3
Baseball/Softball	9	3	3	3	3	3	3
Playgrounds	17	15	17	17	17	18	18

Source: Portsmouth Public Schools - Transportation Division
Portsmouth Public Schools - Athletics Department
Portsmouth Public Schools - Operations Division

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of City of Portsmouth, Virginia

Table 12

School Building Information (unaudited)
Last Seven Fiscal Years

	2008	2007	2006	2005	2004	2003	2002
Elementary Schools:							
Brighton							
Square feet	56,566	56,566	56,566	56,566	33,564	33,564	33,564
Capacity (Students)	650	650	650	650	320	320	320
Enrollment	669	701	660	571	304	319	335
Churchland Academy							
Square feet	96,000	96,000	96,000	96,000	96,000	96,000	96,000
Capacity (Students)	914	914	914	914	914	914	914
Enrollment	999	1,042	1,033	917	947	979	1,062
Churchland Elementary							
Square feet	66,586	66,586	61,612	61,612	61,612	61,612	61,612
Capacity (Students)	715	634	634	587	587	587	587
Enrollment	710	721	644	543	578	563	585
Churchland Primary							
Square feet	63,800	63,800	63,800	63,800	63,800	63,800	63,800
Capacity (Students)	600	608	608	608	608	608	608
Enrollment	514	598	606	530	520	589	557
Douglass Park							
Square feet	73,755	73,755	73,398	73,398	73,398	73,398	73,775
Capacity (Students)	800	703	906	703	703	703	703
Enrollment	697	679	774	668	689	681	576
Victory Elementary							
Square feet	78,142	78,142	51,613	51,613	51,613	51,613	51,613
Capacity (Students)	540	744	492	492	492	492	492
Enrollment	264	347	-	-	-	-	355
Hodges Manor							
Square feet	50,133	50,133	47,633	47,633	47,633	47,633	47,633
Capacity (Students)	600	477	477	454	454	454	454
Enrollment	582	526	485	401	475	481	473
James Hurst							
Square feet	63,525	63,525	63,525	63,525	63,525	63,525	63,525
Capacity (Students)	775	605	605	605	605	605	605
Enrollment	734	755	791	622	709	758	751
Lakeview							
Square feet	60,009	60,009	54,349	54,349	54,349	54,349	54,349
Capacity (Students)	660	605	572	518	518	518	518
Enrollment	623	664	641	489	544	531	572
Olive Branch							
Square feet	32,700	32,700	30,700	30,700	30,700	30,700	30,700
Capacity (Students)	455	311	311	311	311	311	311
Enrollment	430	464	428	342	350	367	376
Park View							
Square feet	31,748	31,748	26,548	26,548	26,548	26,548	26,548
Capacity (Students)	500	302	302	302	302	302	302
Enrollment	409	398	394	357	344	333	333

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of City of Portsmouth, Virginia

Table 12

School Building Information (unaudited)
Last Seven Fiscal Years

	2008	2007	2006	2005	2004	2003	2002
Simonsdale							
Square feet	33,300	33,300	33,300	33,300	33,300	33,300	33,300
Capacity (Students)	325	317	317	317	317	317	317
Enrollment	311	284	286	278	281	303	295
John Tyler							
Square feet	106,749	106,749	106,749	106,749	106,749	106,749	106,749
Capacity (Students)	700	581	597	546	546	546	367
Enrollment	641	660	689	628	604	568	319
Westhaven							
Square feet	65,077	65,077	64,671	64,671	64,671	64,671	64,667
Capacity (Students)	670	620	797	620	620	620	620
Enrollment	610	598	646	547	545	510	484
Port Norfolk							
Square feet	28,700	28,700	28,700	28,700	28,700	28,700	28,700
Capacity (Students)	0	273	273	273	273	273	273
Enrollment	-	-	-	-	-	-	250
Clarke Academy							
Square feet	108,200	108,200	108,200	108,200	108,200	108,200	108,200
Capacity (Students)	0	1,030	1,030	1,030	1,030	1,030	1,030
Enrollment	0	0	498	517	516	509	523
Middle Schools:							
Churchland							
Square feet	136,937	136,937	136,937	136,937	136,937	136,937	136,937
Capacity (Students)	1,014	1,141	1,141	1,141	1,141	1,141	1,141
Enrollment	889	888	967	1,136	1,095	1,195	1,105
Cradock							
Square feet	106,220	106,220	103,420	103,420	103,420	103,420	103,420
Capacity (Students)	840	885	885	885	885	885	885
Enrollment	590	584	719	663	581	624	706
William E. Waters							
Square feet	104,601	104,601	104,601	104,601	104,601	104,601	104,601
Capacity (Students)	840	872	872	872	872	872	872
Enrollment	552	562	664	719	739	777	832
Hunt/Mapp							
Square feet	235,946	235,946	235,946	235,946	235,946	235,946	235,946
Capacity (Students)	-	-	-	1,966	1,966	1,966	1,966
Enrollment	-	-	-	1,097	1,172	1,159	1,117
High Schools:							
Churchland							
Square feet	262,000	262,000	262,152	262,152	262,152	262,152	262,152
Capacity (Students)	1,800	1,871	1,871	1,871	1,871	1,871	1,871
Enrollment	1,562	1,639	1,859	1,745	1,813	1,721	1,553

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of City of Portsmouth, Virginia

Table 12

School Building Information (unaudited)
Last Seven Fiscal Years

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
I. C. Norcom							
Square feet	280,812	280,812	280,000	280,000	280,000	280,000	280,000
Capacity (Students)	1,800	2,006	2,006	2,006	2,006	2,006	2,006
Enrollment	1,300	1,402	1,319	1,221	1,321	1,267	1,237
Woodrow Wilson							
Square feet	261,665	261,665	261,655	261,655	261,655	261,655	261,655
Capacity (Students)	1,725	1,869	1,869	1,869	1,869	1,869	1,869
Enrollment	1,120	1,150	1,332	1,286	1,311	1,219	1,268
Enrollment - Excel Campu	113	101	80	141	140	128	178
Centers:							
Emily Spong							
Square feet	30,206	30,206	30,206	30,206	30,206	30,206	30,206
Capacity (Students)	231	288	288	288	288	288	288
Enrollment	236	182	179	186	189	207	218
Mt. Hermon							
Square feet	47,349	47,349	47,349	47,349	47,349	47,349	47,349
Capacity (Students)	512	451	451	451	451	451	451
Enrollment	272	260	252	244	171	189	202
DAC Preschool							
Square feet	31,500	31,500	31,500	31,500	31,500	31,500	31,500
Enrollment	76	101	115	119	96	*	*

Source: SASI student information database
 Portsmouth Public Schools - Operations Division

* Information not available

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of City of Portsmouth, Virginia

Table 13

Operating Statistics (unaudited)
Last Seven Fiscal Years

Year	Expenses	Enrollment	Cost per Pupil	Percentage Change	Teaching Staff	Pupil/ Teacher Ratio
2008	\$ 162,921,752	14,287	\$ 11,403	7.40%	1,094	13.06
2007	159,162,386	14,990	10,618	12.23%	1,131	13.25
2006	144,216,707	15,243	9,461	6.00%	1,149	13.27
2005	136,647,163	15,309	8,926	8.56%	1,165	13.14
2004	128,606,981	15,642	8,222	7.58%	1,142	13.70
2003	121,734,640	15,928	7,643	2.96%	1,143	13.94
2002	120,408,689	16,221	7,423	*	1,193	13.60

* Information not available at this time

Note: Expenditures only include General and Special Revenue Funds.
Information for years prior to 2002 is not available

Source: Portsmouth Public Schools - Human Resource and Finance Departments

COMPLIANCE SECTION



***Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance With Government Auditing Standards***

Members of the School Board
City of Portsmouth, Virginia School Board

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Portsmouth, Virginia School Board (the School Board), a component unit of the City of Portsmouth, Virginia, as of and for the year ended June 30, 2008, which collectively comprise the School Board's basic financial statements and have issued our report thereon dated November 26, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Portsmouth, Virginia School Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Portsmouth, Virginia School Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Portsmouth, Virginia School Board's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Portsmouth, Virginia School Board's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted other matters that we have reported to management of the School Board in a separate letter dated November 26, 2008.

This report is intended solely for the information and use of City of Portsmouth, Virginia School Board, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekaert & Holland, L.L.P.

Virginia Beach, Virginia
November 26, 2008